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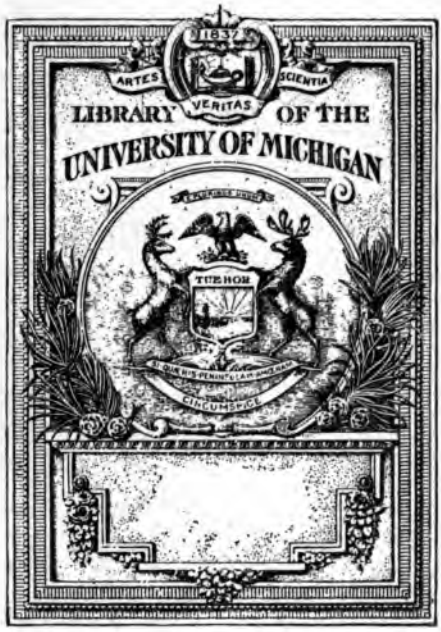
THE MODERN FARM COOPERATIVE MOVEMENT

CHESLA C. SHERLOCK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THE MODERN FARM COOPERATIVE MOVEMENT

BY

CHESLA C. SHERLOCK

Author: "Vest-Pocket Lawyer", "Know Your Compensation Liability", "Modern Farmyard Buildings", etc.

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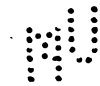

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To
DANTE M. PIERCE,
friend, counsellor and associate,
who has cheered and guided
me in this effort.

PREFACE

The farm cooperative movement is not new. It is one of the old things appearing new to a great many people. The modern movement started some ten or fifteen years before the dawn of the Twentieth Century; it has steadily grown and the reason that it now appears new to the majority of business men and thinkers in this country is because it has just commenced to attain those proportions which demand national attention.

The author has been more than casually interested in the farm cooperative movement for several years past. His investigations of and personal visits to outstanding farm cooperative associations in Minnesota, Wisconsin, Iowa and Missouri, were first undertaken to secure magazine material for *Leslie's Weekly* and other periodicals. Since coming to Pierce's Farm Weeklies he has been thrown into even closer contact with the movement and its leaders.

There is a common thought given currency in regard to the farm cooperative movement which is entirely incorrect, and that is the thought that it is socialistic in principle. Socialism is popularly decried and denied in this country and is applied

to practically every reform movement initiated. It has been applied to the farm cooperative movement in the same spirit. Many interests and individuals having no knowledge of, or means to acquaint themselves of the facts, have assumed this attitude.

The chief objection urged against socialism is that it destroys private initiative, deprives the community of competition as between individuals and industries and secures profits to be distributed for the common good of all. In other words, the *incentive* to achieve for self is taken away.

The farm cooperative movement incorporates nothing of this purpose. In fact, it is the exact reverse. Its central purpose is to distribute the earnings or savings it makes through more efficient and direct methods of distribution and marketing on a *patronage dividend basis,* which is to say that the individuals furnishing the most patronage or business to the cooperative association secure the most in earnings, profits or savings, as one cares to designate them.

It is merely a tool in the hands of the farmers and the producers to shorten the line from the farm to the consumer but, at the same time, preserve the essential features of the service now rendered by our marketing system. It seeks, as a reward for shortening these lines, a part of the savings thus effected; it contemplates no attempt

to combine against the consumer and enhance prices—it is merely asking that the gap between the prices paid the producer and those paid by the consumer, be reduced.

It is hoped that this volume will bring something of the magnitude of the farm cooperative movement to the business man, the consumer and to the farmer himself. We have attempted to sketch the causes of unrest which gave birth to the movement, to give a glimpse of the magnitude of the local cooperative movement, and to outline the more recent step taken; namely, the federation movement, much of which is still in the process of formation.

There has been no partizan purpose in the writing of this book. The central purpose has been to present the facts. Any matters of belief occurring to the author have been placed in the last three chapters of the book, relating to the future of the movement. Of course, the reader is at liberty to formulate his own opinions concerning the movement, but we believe that he will be interested, at least, in these pages.

Grateful acknowledgment is made to the many authorities quoted and to the many investigators in the employ of state and nation whose tables, charts and graphs are reprinted herewith.

CHESLA C. SHERLOCK.

Des Moines, Iowa.

TABLE OF CONTENTS

PART I

History and Causes

Chapter		Page
I	Mr. Farmer Gets Together	3
II	Farm Cooperation Today	13
III	History of the Movement	27
IV	Causes of Unrest	40
V	Orderly Marketing	55

PART II

The Local Movement

VI	Local Cooperatives Generally	73
VII	Local Elevators	80
VIII	Local Live Stock Shipping	96
IX	Local Dairy Marketing	109
X	Local Mills	122
XI	Other Local Movements	131

PART III

The Federation Movement

XII	The Minnesota Idea	153
XIII	The Equity Cooperative Exchange	162
XIV	The Minnesota Potato Exchange	170

Chapter		Page
XV	National Live Stock Marketing	182
XVI	National Dairy Marketing	192
XVII	The U. S. Grain Growers, Inc.	208
XVIII	Other Federation Movements	224

PART IV

The Future

XIX	Political Aspects	245
XX	The Cooperative State	257
XXI	The Future of Cooperation	267

APPENDICES

A	U. S. Grain Growers, Inc., Contracts	277
B	Personnel of Committees	306
C	Committee of Fifteen Report	311
D	Minnesota Potato Exchange Contracts	350
E	Shipping Association Form	359
F	Corporation Form Under Cooperative Law	367

LIST OF ILLUSTRATIONS

Figure		Page
1.	Location of All Cooperative Organizations (1917)	23
2.	Number of Organizations by Class (1917)	24
3.	Comparison of Wholesale Prices	41
4.	Comparison of Prices Paid Farmers	49
5.	Increase in "Spread" of Prices	52
6.	Beef Cattle and Beef Prices	52
7.	How Price Fluctuations Affect Farmer and Consumer	60
8.	How Fluctuating Prices Affect Horse Production	61
9.	Seasonal Production of Peas	63
10.	Cheese Production	64
11.	Cooperative Live Stock Shipping in Iowa	106
12.	Cooperative Live Stock Shipping in Wisconsin	107
13.	Potato Marketing Associations in Minnesota	173
14.	The Minnesota Potato Market	176
15.	Potato Price Fluctuations	177
16.	Did It Pay to Pool Wool in 1921?	230

PART I

HISTORY AND CAUSES

CHAPTER ONE

Mr. Farmer Gets Together

Some years ago there was a wreck on an Iron Mountain train down in the Missouri Ozarks. A boulder dislodged itself from a hillside and crashed down upon the train.

A farmer who was comfortably seated in the day coach suddenly found himself with his head jammed through the cushioned seat in front.

He commenced to pray, and in a loud, excitable tone called upon the Almighty for help.

A fat lady, who had been thrown to the aisle, arose with some difficulty. Her eye chanced upon the pilloried farmer.

"Huh!" she snorted, "why don't you try helping yourself? Th' Almighty's too durned busy to waste time on th' likes of you!"

At the risk of spoiling a good story, but for a purpose, we will add that the farmer extricated himself without difficulty, none the worse for his experience.

For some years, in fact for decades, the American farmer has been in a position similar to the good Missourian. He has been calling for help; and his appeals have fallen on unresponsive ears.

He has called upon large political parties; he has been greatly flattered by them, and, strange to say, after the votes were cast, has found himself out of court. He has joined this or that movement in the hope that economic salvation might be in store for him.

He has, in the parlance of the street, been willing to "try anything once," in his frantic search for a solution to his problems. If some of you were amazed at the fact that hundreds of thousands of farmers joined the Non-partisan League at a fee of sixteen dollars each, and accomplished the overthrow of established political parties in two short years, do not fall into the error of classing them with the reds, radicals and revolutionists.

It must be remembered that the Nonpartisan League offered something in the way of tangible results to the farmers, in a direction where they had been wanting "something done." The abuses of the interests controlling foodstuffs and markets in the past, whether fancied or real, had brought about the feeling that the farmer was on the small end of the horn.

Political demagogues helped along that feeling, just as they are doing today. No class in all these free and independent United States has been 'roused to fury with the periodical regularity that the farmer has. Then he has been left to nurse

his sores as best he could. The farmer was safe ground for this brand of politician because he was not organized. He could do nothing after his votes had been cast.

In fact, it has been a standing rule in politics and "big business" these many years to keep the farmer from getting anything like a representative organization. Let him try it and the proverbial "monkey wrench" appeared from some mysterious source and his little pet organization broke up in discord, distrust, or sank to oblivion of its own accord.

Full many a movement has come forth the past seventy years to lead the wanderers into the Promised Land, which have all whirled out into space on a mysterious tangent, or fizzled in the beginning. Those that survive are, for the most part, defunct political organizations or purely local concerns so far as the remnants of the earlier movements are concerned.

Having passed through his period of clamor and appeals for help without avail, the farmer is turning to the last and sensible course of action. He is getting together. He is rolling up his sleeves and helping himself. He realizes that no one is going to save him if he does not save himself, and "saved" he most certainly proposes to be.

This is not new. There is a striking parallel in the case of labor. So long as labor was a great irresponsible mass, the politicians and demagogues periodically incited them "to rise and mutiny" for the benefit of the party. But since the laboring man has learned the wisdom of sticking together, the politicians have been extremely chary of all matters pertaining to that class.

Whether we agree with labor or not, the fact remains everyone must admit that the laboring class has perfected a powerful organization. The frequent threat of a strike is sufficient to recall that. But most of the chills that play up and down the spinal columns over the land when that occurs, come from the thought that all unions, transportation, mining, industrial, might join hands. What then?

The farmer in perfecting his various national organizations has attempted to follow this parallel. He attempts to build just as the great labor organizations were built. The laboring man started with his local union, then he organized these all into a single union in the particular branch of industry. These, in turn, were merged into state and national federations.

Likewise, the farmer is building on the local organization. The largest of the farmers' organizations at the present time—the Farm Bureau—

reputed to number over a million and a half paid members, is based upon a local or county organization known as the county farm bureau. These are, in turn, merged into state and national federations.

We are not, however, to concern ourselves with the farm organization movement, except in a casual way. The real romance, and the real outstanding achievement in the great agrarian movement that is now commanding national attention, has come about through a different route. It has come through the attack and the partial solution of many of the economic problems confronting the farmer. It has come, in short, through the adoption of cooperation in various commodity or food groups, for the express purpose of affording prompt relief and relief in the direction whence it is most needed.

It may surprise many people to learn that the American farmer has entered big business. The word "big" really ought to be capitalized, for it is B-I-G.

The cooperation of farmers and food producers in business organizations is not, of course, of recent origin. It is nothing new. It has been going on with more or less earnestness of purpose for the past seventy years in various parts of the country. But it is only since the World War that

it has really attracted serious attention from the country as a whole. All the while, though, like yeast in the dough, it has been working slowly, surely upward until at last it has burst the economic shell that hemmed it in. The cracks have already appeared and they are constantly widening, as the days go by.

The rapidity with which the farmers are organizing may be judged from the case of Minnesota. In 1919, there were 1,800 farmers' cooperative enterprises in the state; in June, 1921, there were more than 3,000 of these local cooperative associations, to say nothing of the state federations. During the period from 1919 to 1921, the really important work and attention of the leaders of the movement was directed toward federation in commodity groups, as we shall see in a subsequent chapter.

In Iowa, there were 57 local live stock shipping associations in 1916, but on January 1, 1921, the number had grown to 610. The percentage of growth was probably even higher during 1921, and, in addition, a state federation was organized and successfully established, by no means a small task.

We might go into more specific detail here as to the remarkable evidences to be had on every hand that the American farmer "is rolling up his

sleeves,'' and getting ready to take a hand in big business. That is the province of subsequent chapters. But these examples, chosen at random, can serve to give a background to the magnitude of the business operations of the man who feeds the world.

Other developments, revolutionary developments, have been brought to pass. We have the spectacle nowadays of seeing Mr. Farmer take his produce to town, sell it to his own local shipping agency, which, in turn, ships it to his own terminal marketing agency at the terminal markets. This marketing agency may sell it, in turn, to his own mills or factories, which manufacture the raw material into the finished product. These, in their turn, may sell the manufactured products direct to the consumer, or back to the farmer through his own cooperative buying agencies or stores.

At the present writing, the greatest concern manifested by the farmer through his cooperative organizations, is the establishment of complete terminal marketing facilities. Likewise, he is organizing in centralized community groups and state federations for the manufacture and sale of his products under standardized brands and through national advertising.

The wonderful terminal elevators of the Equity Cooperative Exchange at St. Paul, the various

packing houses, flour mills, dairy products' plants, the live stock commission houses of the Equity at St. Paul and Chicago, and of the Farmers' Union at Omaha and elsewhere, and the live stock commissions established at many terminals by the Committee of Fifteen, are but fore-runners of the new day that has dawned for American agriculture. In the line of special products, the Wisconsin Cheese Federation with its numerous plants and branches, and the California citrus growers' organizations, the Michigan grape growers' federation and the like, are other pertinent examples.

Many people minimize the farm cooperative movement. They fall into the error of assuming that it is something to be pitied, if not feared. "Oh," they exclaim, "cheese factories and creameries!" And then sniff.

There is nothing to sniff about in the farm cooperative movement. The annual business done by some of these "puny" little farmers' cooperatives is almost staggering. The reader may well be surprised, as the writer was, to learn on a trip of investigation in Minnesota in the fall of 1919 that the average annual business transacted by farmers' live stock shipping associations in that state was nearly $500,000! This meant, at the time, that the farmers of Minnesota were doing practic-

ally $300,000,000 annually in live stock in that one state! The annual business transacted by the Wisconsin Cheese Federation, the citrus growers of California, the grape growers in various parts of the country and the creameries, are equally staggering to the lay mind.

One little creamery at Glencoe, Minnesota, an average small country town, did a business of $456,640 in 1919. It employs just seven people and is Glencoe's largest industry. In addition, it handled $85,000 worth of fresh eggs. Any industry in a small town of 1,700 population which does a weekly business of close to $9,000 is not ordinarily considered "puny." In fact, there are thousands of towns in the country three times the size of Glencoe not having cooperative concerns that cannot show an industry as prosperous.

The American farmer has taken a leaf from the experience of big business. He has come to the point where he is determined that his own exploitations must cease. He is not entering the business world for the purpose of exploitation on his own score. He is not of that temperament; he is entering the business world for the express purpose of saving himself from the economic ruin that has so nearly engulfed him. He is fighting with his back to the wall for American agriculture; he sees its breakdown in the very near

future, if some of the present evils of our marketing system are not remedied. His house must be put in order if foreign competition is to be met, when the surplus-producing nations of the world come back into the world's markets.

The present progress merely charts the lengths to which he may eventually go. But as to whether he can ever get together or not and succeed in business—big business—is no longer a subject of debate. He has succeeded and is succeeding beyond his wildest dreams.

CHAPTER TWO

Farm Cooperation Today

It is extremely doubtful whether the average citizen appreciates the extent to which farm cooperation has been developed at the present time. Too often the suggestion that some such movement is on, leads one to assume that it is taking the character of local elevators or creameries, the influence of which is extremely limited. A superficial knowledge of the older movement often leads one to minimize the present one and scout the possibilities of success.

The sober fact remains that the present movement gives every indication of healthy and sturdy growth. Cooperatives are bound to fail; many have been started in localities where the enthusiasm and the cooperative spirit of the cooperators has entirely led them astray. Their possibilities of sufficient volume to make the venture a success, are too meagre to grant success. Others have unwisely chosen incompetent and poorly trained managers; still others lack adequate credit facilities to insure financial success. But this is no brief against the soundness or lustiness of the whole movement. Private individuals are failing

in business every day; yet none arises to charge that business, itself, is to blame.

The cooperative movement today gives every indication of success because it is being consolidated and federated into logical food or commodity groups; competent managers are being selected and trained in almost every state where the movement has attained any importance; the fundamental requirement of success—the proper spirit on the part of the membership—is more pronounced today than ever before.

This growth has not come by chance. The farmer is not so rich or so idle that he is merely meddling "in other people's business" as a pastime, or for the purpose of taking a flyer in big business. It has come through the most painstaking and heart-breaking work that ever confronted man in the economic world. It has taken long years of preparation through educational work; it has taken all of the resourcefulness of Robert the Bruce to build anew out of the ashes of each defeat; it has taken men with hearts of steel and personal will such as is seldom seen, save in the spirit of the crusader.

J. M. Anderson, president of the Equity Cooperative Exchange of St. Paul, in a recent speech recounted some of the difficulties in cooperative pioneering. Mr. Anderson has been one of the

"crusaders" in cooperative marketing since the days of the old "dollar wheat" effort on the part of North Dakota farmers ten years ago.

"The Equity Cooperative Exchange obtained 12,000 farmer members in North Dakota on that slogan alone," said Mr. Anderson. "After we organized the exchange, however, we found that the 3,000 farmers' local elevators in Minnesota would not back us up, so we had to devote our energies and capital in the building of elevators of our own.

"For four years we waged a losing fight, a fight that might have taken the heart out of any of us. Time and again I was advised to go and see this or that man, when things seemed the darkest. I would go to see them and be quietly advised to 'lay off.' To the everlasting credit of the movement, we never once surrendered our faith in the idea; never once have we sacrificed our principles one iota to the organized interests.

"It isn't any wonder that we lost $100,000 in those four years. The wonder is that we survived. We have demonstrated, by the success of the Equity Cooperative Exchange, that it is possible to do a grain business without membership on the grain exchanges."*

* Speech at Fairfield, Iowa, October 28, 1921.

Farm cooperation is forging ahead for the reason that the conclusion has slowly but surely been forced upon the American farmer that there is no future in store for him so long as he is at the mercy of other interests. It should be kept in mind that the farmer is the only business man who works entirely in the dark. He produces without markets; he does not know when he plants his crops what price they will bring or whether they will bring anything at all. He has nothing to say about the value of his products when he brings them to market, nothing to do with price-fixing. He plants his crops, determines the acreage, hires his labor, incurs debts in harvesting—all in the dark.

On the other hand, when he comes into the market as a purchaser of supplies, he must pay the price which others have set. It is not a favorable price such as others have secured on his products, without reference to the cost of production. The advantages which other business men secure through their organization, he is unable to secure. He must ever gamble on winning back his expenses, let alone a profit.

A bulletin, "The Road To Better Marketing," issued by the Wisconsin College Extension Service, explains the situation in a nutshell:

"Because farmers are unorganized and therefore unable to prevent seasonal flooding of the markets upon which their goods are sold there are violent seasonal price fluctuations. So long as the motive of the competitive private middleman is to buy raw materials at the lowest possible price —and this means getting them from farmers who must sell during periods of seasonal surplus— there is bound to be a widespread unrest concerning marketing and much feeling about it. No one can hope to solve the problem of price fluctuation without first preventing the seasonal flooding of markets."†

The thinking farmers, therefore, have sought a tool which could be used to equalize these unequal characteristics of our present marketing system. They have sought a tool that would (1) secure those advantages which the present system denied them, and (2) eliminate the waste of marketing and make it attractive to the consumer. The farmer felt that if he would correct the unequal tendencies of the present system which penalized not only the producer, but the consumer as well, that he would be in the happy position of "killing two birds with one stone." He would win economic salvation for himself and the sympathy of the consumer at the same stroke.

† Cir. 136, Wis. Ext. Ser., Theo. Macklin.

It is obvious that no one farmer could come into the market with sufficient products or financial resources to accomplish this purpose. The marketing of farm products could not be centralized or standardized, as the marketing of other raw materials in the hands of corporations for profit has been because the farmer is not temperamentally suited to such an arrangement. He has slight sympathy with such propositions; he hates corporations and fears trusts with all his soul. He is not out with a club in hand for the purpose of exploiting any group, as he has been himself exploited. All he seeks is the right of self-protection.

It was necessary, then, to act collectively—in short, to "go in together," to cooperate. While he might not be able to persuade every single farmer and food producer in the country to join the movement or to "stand hitched," if he could secure enough in any particular farm product to exert an influence on the market, he would secure the ends in mind.

It is not necessary for the farmer to control the majority of the crop in any one product in order to stop the flooding of markets and thereby prevent violent price fluctuations. In a subsequent chapter dealing more specifically with prices and causes of unrest, we will show that a fluctuation of one and

one-fourth bushels per capita in the annual production of potatoes, is what is responsible for the wide fluctuation in price in different years. If the farmer can control 25 per cent of the annual potato crop, he can largely control the potato market fluctuations with the constant threat of his reserve supply.

Some such example might be applied to almost every commodity. The farmer seeks, first of all, a stable market. With a dependable market, maintained at a steady price level season in and season out, or at least one minus violent fluctuations, he can proceed to the production of his crops with something like intelligence. He can figure on costs of production with some degree of safety. He can determine acreages for each product upon definite market information. He can produce to a purpose. He can become a food manufacturer and not a gambler on what the market will buy at a profit. Farming can be brought out of chaos and established on an orderly, sane basis. And with the attraction of profit, country life will return to its old state.

The organizations which the farmers have perfected with the accomplishment of this purpose in mind, may be divided into two classes, noncooperative capital stock companies and pure cooperative organizations. By the first term, we refer

to capital stock companies which are not cooperative in principle, but which have been formed by stockholders, usually farmers, and organized and conducted as private corporations for a profit. Such profits are distributed by means of dividends on the capital stock. There is no limit on the stock which may be held by any one member and, as in the case of private corporations, each member has as many votes as he owns shares of stock. These are not true cooperative principles, for each member in the cooperative organization should have an equal voice in the affairs of the organization, without reference to the share held in the concern.

In the true cooperative organization, the member is limited as to the financial interest which he may have in the concern, he has the same voting power any other member has, and the earnings are distributed, (1) in the form of a fixed interest return on the capital invested, and (2) all additional earnings are usually distributed in the form of patronage dividends to all patrons of the organization, based upon the amount of business contributed to the organization during the year. Thus, the real earnings go to those who really produce them.

This does not necessarily mean that true cooperative concerns may not be organized on the capital

stock plan. This can be done if the stock to each member is limited, the voting power is made equal, and the dividend limited to a fair rate of interest. For the most part, however, the capital stock cooperatives were organized before the "cooperative" laws were enacted in the various states. There was no other way to secure recognition as a legal entity unless organization was perfected under the existing corporation laws. Recent legislation in many states has conferred this legal recognition on cooperative associations in which they have the full legal rights of old corporations. This, too, has been won only as the result of long agitation and a bitter fight.

The nonstock form of organization is at all times preferable, from a legal standpoint, for cooperative organizations, and is the form most commonly adopted by them. This is largely for the purpose of avoiding conflict with the Federal anti-trust laws, which specifically exempt such associations from consideration.

Section 6 of the Clayton amendment to the anti-trust laws, passed by the Sixty-third Congress, reads:

"That the labor of a human being is not a commodity or article of commerce. Nothing contained in the anti-trust laws shall be construed to forbid the existence and operation of labor, agricultural, or horticultural organizations, instituted

for the purpose of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade, under the anti-trust laws."

There are no reliable statistics at hand at the present time in regard to the number of farmers' cooperative business associations in the United States. The number, however, is large, very large. As long ago (in the cooperative movement) as 1917, the Office of Markets and Rural Organization of the U. S. Department of Agriculture secured the names and addresses of approximately 12,500 farmers' purchasing and marketing organizations. These were secured from indirect sources and no pretense was made that the list was complete.

In the intervening years we have witnessed the greatest growth of the cooperative movement that has come since its inception. It seems safe to say, then, that the number of such organizations in the country at the present time is close to 25,000 if it does not, in fact, exceed that figure. In this respect, we refer to all kinds of business cooperatives, whether for purchasing, marketing, insurance, self-help, or whatever purpose. In some sections, each day has been bringing an average

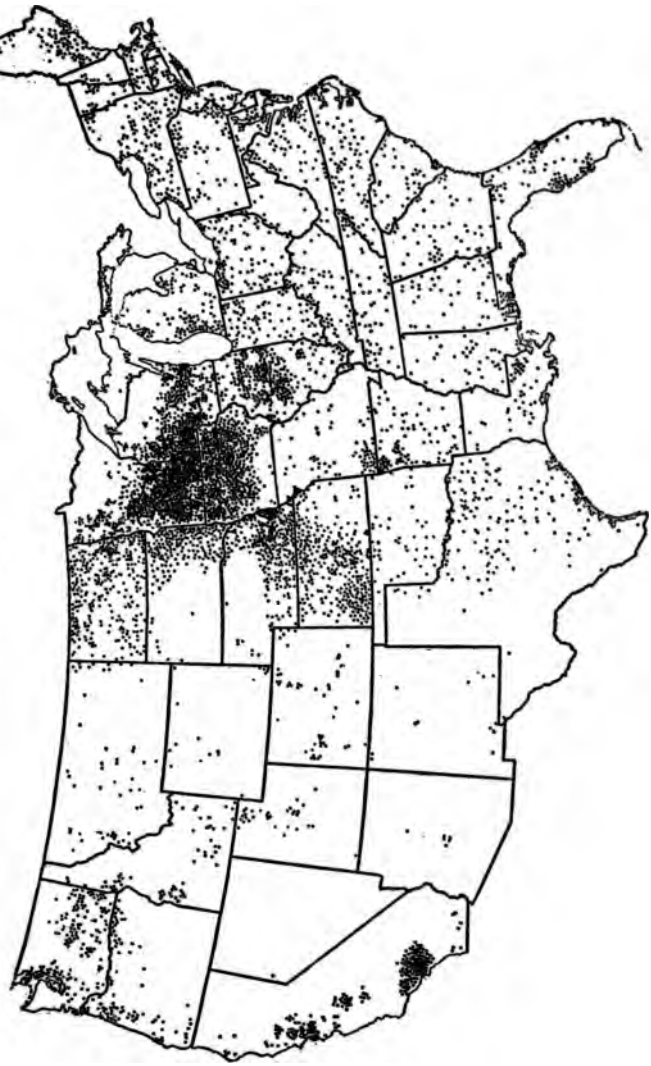
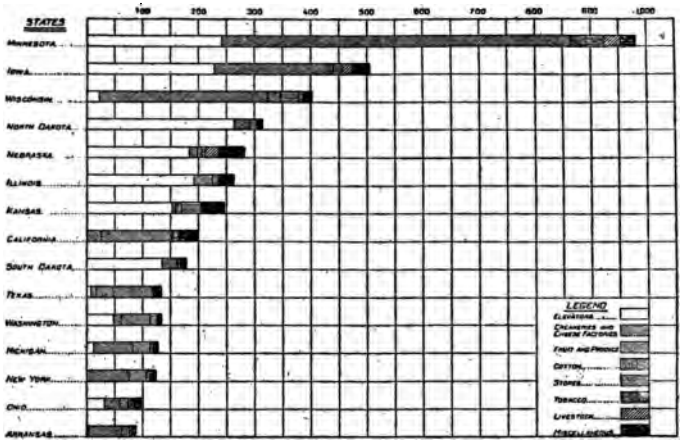


Fig. 1. LOCATION OF ALL COOPERATIVE ORGANIZATIONS REPORTING TO THE OFFICE OF MARKETS AND RURAL ORGANIZATION: (1917)

Fig. 2



NUMBER OF ORGANIZATIONS BY CLASS IN FIFTEEN LEADING COOPERATIVE STATES (1917).
—Bul. 547, U. S. Dept. Agri., 1917.

of two or three new cooperatives to life for sometime. Hence, we do not feel that we have overstated the case by estimating that there are two times the cooperatives in the country that there were in 1917.

Of the list of 12,500 cooperatives reported to the Department of Agriculture, a survey was made of 5,424 organizations which answered the Department's questionnaire. The distribution of these cooperatives, as shown on the accompanying map, indicate that the great center of the movement at that time was to be found in the States of Minnesota, Iowa and Wisconsin, with a liberal

proportion in North Dakota, South Dakota, Nebraska and Kansas. A number are shown also on the Pacific Coast and scattered throughout the South. For the most part, though, the great majority are found in Minnesota.

A similar map showing the cooperatives in existence today would greatly resemble the one shown for 1917, because the growth has been in these same states. Minnesota had 1,800 cooperatives in 1919, and in June, 1921, the number had grown to 3,000. The growth in other states has probably been proportionately the same. The only difference such a map would show, as of the present, would be the increase in other sections which the movement had not touched in 1917.

The distribution of the cooperatives in 1917, by states, is also shown in an accompanying chart. It divides the number into the various kinds of business transacted, of the 5,424 cooperatives reporting to the Department. The chart gives a graphic idea of the extent to which Minnesota and Iowa are the principal cooperative states. While the fact remains at the present time that Minnesota leads in the number of cooperatives, it is doubtless true that Iowa is considerably closer to her in the number of cooperatives now in operation.

A most remarkable growth has likewise been made in the South and West. While the movement had its first great development in what is known as the Corn Belt, the most recent great development has been in the Grain Belt and the Cotton Belt. Arkansas and the western grain states have shown great interest in the cooperative idea. Only recently, press dispatches carried notice to the effect that the Arkansas rice growers had organized a cooperative marketing and milling concern which controlled 700,000 barrels of rice at its inception. The organization showed such promise that the government, through the War Finance Corporation, had advanced it $1,000,000 to finance its operations.

The farmers' cooperative movement today is to be found in some form in practically every section of the country. It has climbed out of the purely local class with leaps and bounds the past few years. And yet the work of local development is still going on. It means, in short, that the farmer has found the tool with which to combat the economic conditions which have threatened to ruin him; it means that he is now setting up the machinery necessary to win this economic freedom. And he is building in all directions and building as strong as he knows how.

CHAPTER THREE

History of the Movement

One who has studied the cooperative movement carefully cannot fail to be struck with the thought that certain conditions almost invariably produce similar results. Given a period of depression in the price of farm products, and it has invariably followed since the Civil War that great life and stimulation is given to the farm cooperative movement.

The cooperative movement today is not new. It is but the scion of other days when similar conditions threatened the embattled farmers of the land. The thought has been beautifully expressed by Elbert Hubbard, in the following words: "Ideas are born; they have their infancy, their youth—their time of stress and struggle—they succeed, they grow senile, they nod, they sleep, they die; they are buried and they remain in their graves for ages. And then they come again in the garb of youth, to slaughter and slay—and inspire and liberate. And this death and resurrection goes on forever. In Time, there is nothing either new or old; there is only the rising and the falling of the Infinite Tide."

The cooperative movement first appeared in any considerable proportions in the United States following the Civil War. Oliver H. Kelley, a clerk in the office of the Commissioner of Agriculture at Washington, fathered the first farm movement. It was called the National Grange of the Patrons of Husbandry, and was a ritualistic order patterned after the Masonic Order. It proposed to relieve the distressing condition of the farmer through education and mutual self-help.

The story of the early struggles of Kelley in the organization of the Granges is one of bitter discouragements, defeats and rebuffs. But Kelley hung on for the space of several months. It is significant to note that he worked westward rapidly after organizing the first Grange in Washington, until he found himself in Minnesota, where he owned a farm. There his plea fell on fertile ground and he commenced to make some headway. The people from the north of Europe, who had settled in this region, were acquainted with the cooperative idea, especially those who had come from Denmark, where it had been in practice with more or less success for twenty years.

But the Minnesotans did not take to the idea until the first purely local Grange had been organized at Newton, Iowa, in May, 1868. Later in the fall of the same year the first Minnesota

Grange was organized in St. Paul. Gradually the movement made headway until economic conditions resulting from the inflation following the Civil War brought matters to a head and focused the attention of the farmer upon his own state of affairs.

One cause can be read in the relative change in the center of national wealth which had occurred during the war and the period immediately following it. In 1850 the total rural wealth was placed at $1,000,000,000 more than the total urban wealth; by 1870 the rural wealth had increased two and one-half times what it was in 1850, while the urban wealth had increased seven times its former amount. The years 1870-73 were years of inflation, of industrial expansion, prosperity and speculation. They were not unlike the years 1919-1920 following the World War. Such periods are always periods of adversity for the farmer. He is the last to receive the benefit of the "boom" prices and its attendant "prosperity" and the first to feel the pinch when the bubble bursts. In some cases, he never receives any of the benefit in proportion to other interests, as was true following the Civil War.*

By the end of 1873 the Grange had organized every state in the Union with the exception of four

* Farm Bureau Movement, The, O. M. Kile.

and had a membership in excess of 20,000 local Granges. In 1874, it had a membership of more than half a million farmers and was rapidly becoming a serious factor in the economic and political life of the nation. It began to attract widespread attention and to lock horns with the various interests which the farmer felt were standing between him and economic justice. It is impossible to recount here the details of the Granger movement, interesting as they were. It is sufficient to say that while the movement ultimately lost its position of power and influence, largely because it went whirling off into space on a political tangent, it did achieve some lasting reforms of benefit to the entire nation.

It secured the first legislative regulation of railroad freight and passenger rates in the country, and the establishment of the first state railroad commissions, thus laying the way for the present Interstate Commerce Commission. Some of its struggles were extremely heated and bitter, but until the Grange surrendered its principle of staying out of politics, it won every struggle which it waged.

Of course, the factions of disintegration early appeared. The proverbial "monkey wrench" soon put in its appearance in many disguises. Dissatisfaction arose for any one of a number of

reasons, based upon the human equation and the Grange was prepared for burial by its own professed friends.

While the Granger movement graviated from one political movement to another until it was finally lost in the defeat of Bryan in 1896, the larger movement, so far as we are concerned in the present discussion, did not entirely pass out. We refer to the cooperative business agencies organized more or less loosely along the line of the Rochdale cooperatives of England.

In the local Granges, the farmer first learned, in a social way, the value of cooperation, of banding together to accomplish for the class what he could not accomplish as an individual. If cooperation and union was good in political matters, why wouldn't it be equally effective in economic matters? Grange stores were organized here and there; buying was more and more done on a cooperative or pooled plan, particularly in the case of farm machinery and supplies.

Local elevators, creameries and other cooperative business organizations began to appear. But the great effort was made in the direction of the manufacturing of farm implements and machinery. The Iowa Grange purchased a patent and commenced to manufacture farm implements. They were able to sell for a price far below that

asked by other manufacturers and a rosy future seemed in sight. The National Grange then decided to enter the field and establish factories all over the country. But within another year the Iowa venture failed, and it served to "let the gas out of the bag" and the movement settled to earth. A movement which had attained a membership in large numbers of 900,000 in 1875, found itself with less than 125,000 by 1877.

Dissatisfaction with the Grange and the betterment of farm prices somewhat were responsible in large degree for the slump in interest in the Grange.

The next great farmers' movement appeared in 1885 as the Farmers' Alliance. It came up largely from the South, particularly Texas where it had its inception. It devoted possibly more attention at the outset to cooperative ventures than did the Grange, but it also came before the country with a frank political purpose, to be effected along more or less nonpartisan lines, that almost effected a political revolution in the Middle West. Its greatest effort came in the elections of 1890 where, particularly in Kansas and the Dakotas, it succeeded in overturning the opposition and sending its adherents to Congress. This contest, which was known as the "Populist" movement resulted in forty congressmen taking their seats in the House

of Representatives, under the leadership of "Sockless" Jerry Simpson.

The effect of the Alliance movement was not entirely lost. It served notice on the old parties that trifling with the farmer voter could no longer be as flagrantly pursued as in the past. He had demonstrated, and in a fashion not to be misunderstood, that he could overturn when his temper was aroused, the entire political machinery and resources of both old parties. The leaders of the old parties commenced to pay some attention to the pleas of the farmers "after the votes were cast," and to adopt some of the measures for which the farmers were contending. But the real power of the Alliance disappeared in the interval between 1890 and 1892.

Although the Grange and the Alliance survived in remnants here and there, it was not until ten or twelve years later that another national movement reared its head above the status of purely local organization. We refer to the Farmers' Educational and Cooperative Union of America, better known as the "Farmers' Union." Again, the movement originated in Texas, as did the Farmers' Alliance. Newt Gresham of Emory, Texas, is credited with the organization of the first Farmers' Union in 1902. It spread rapidly

throughout the South, building largely out of the ruins of the old Alliance.

The Farmers' Union marked a new step in the long history of the farmers' cooperative movement, for it was the first organization to come into the field for the avowed and distinct purpose of confining itself to a consideration of the economic problems confronting the farmer. In fact, it went farther and in its Constitution, set forth these worthy purposes, among others:

"To assist our members in buying and selling.

"To teach farmers the classification of crops, domestic economy, and marketing methods.

"To systematize methods of production and distribution.

"To eliminate gambling in farm products by Boards of Trade, cotton exchanges and other speculators.

"To secure and maintain profitable and uniform prices for cotton, grain, live stock, and other products of the farm."

To this end cooperative stores were established, local live stock shipping associations, terminal live stock commission houses, local elevators, warehouses, exchanges dealing in a wholesale way with farm supplies of all kinds, and a system of warehouses was established in each of the cotton-growing states in the South.†

Dissatisfaction with cotton prices and methods of marketing may be said to be the origin of the

† Barrett, Chas. S., "Mission, History and Times of the Farmers' Union."

Farmers' Union movement. The leaders soon came to the conclusion, however, that farmers in other sections of the country were suffering similar abuses and that their problems were largely the same, and admitted of the same solution. So they took in the grain grower, the live stock producer and the general farmer. They made headway because they constantly emphasized the business side of the cooperative principle. They rigorously avoided politics, and have succeeded in avoiding this pitfall to a very successful degree.

Some of the most successful of the accomplishments of the Farmers' Union are to be found in Kansas and Nebraska. In Nebraska, the Farmers' Union transacted a total business of $100,000,000 in 1920. The Nebraska work was for years under the able and efficient direction of Mr. C. H. Gustafson, then state president, and now president of the U. S. Grain Growers, Inc., the farmer-owned and controlled grain marketing agency launched by the Committee of Seventeen in 1920.

It is hard to estimate the actual membership of the Farmers' Union at the present time because of the conflicting reports which have been issued. There can be no doubt but that it reached a high peak of influence around 1910-12, then suffered a slump in its ranks for several years. The coming

of the Farm Bureau gave it a temporary set-back in membership, but within the past few months (1921) the Farmers' Union has shown a new lease of life. Dissatisfaction with the Farm Bureau in some quarters, the disposition of other farmers' organizations to join with the Union rather than the Bureau, and the tightening of the lines in order to hold its own against the more popular rival, have given it a healthy condition again.

One of the most important of the more local organizations which has stressed almost entirely the business side of cooperation has been the Ancient Order of Gleaners. It is a ritualistic society founded more or less closely along the lines of the old Grange. Grant Slocum of Michigan, a publisher of farm papers, was the founder. The organization started in 1894 and has had a slow, steady growth, practically all of which has been in the state of Michigan. The Gleaners own many business institutions in Michigan and have a splendid office building in Detroit. They have paid particular attention to the marketing of farm products and the purchasing of supplies, in a cooperative way.

The Equity movement dates back to about 1900. There have been so many splits in the ranks, and so many movements under the designation of the

"Equity" that it is difficult to trace its history with clearness. The American Society of Equity was the parent body. It grew in Illinois, Wisconsin and Indiana about 1900 and at various times attained some prominence, especially in Wisconsin. At the present time, however, it is practically dead, having paid-up members in only one state, and that membership is bargaining to join the Farmers' Union.

An important off-shoot of the American Society of Equity, however, has made one of the most distinct successes yet won by farmers' cooperative organizations. We refer to the Equity Cooperative Exchange of St. Paul and Chicago. This organization broke away from the parent body some years ago and has attained a large membership in Minnesota, North Dakota, Montana and northern Iowa. The Equity Cooperative Exchange is purely a business organization, and is treated more in detail in Chapter XIII.

The Farm Bureau originated in Broome county, New York, in 1911. It is unique in the annals of farm organization history for the reason that it has had the benefit of state and Federal financing, through the county agent system with which it is identified, which promises to do much to keep the interest of the local or county bureaus alive and thereby prevent the early disintegration of the

movement. In 1921, the Farm Bureau had a paid-up membership of 1,500,000 members in all parts of the country. These farmers are paying annual dues ranging from $5 to $15 each for the privilege of membership.

The Farm Bureau, as an independent organization, can have only passing interest to us in a discussion of farmers' cooperative business associations for the reason that it does not actively and as an organization come into the field with cooperative business organizations. We do not have "Farm Bureau" cooperative exchanges or business organizations.

It does interest itself, however, in the better marketing of farm products and to the true principles of cooperative effort. These efforts are for the most part independent of, and entirely aside from, the Farm Bureau. We find the Farm Bureau encouraging local shipping associations, and national cooperative terminal marketing agencies (witness the U. S. Grain Growers, Inc., and the Committee of 15 Livestock Marketing Plan) where such effort seems necessary. But, as a whole, the Farm Bureau organization is not tying up to a kite which has caused other similar organizations grief in the past.

No one can disparage the Farm Bureau for this attitude. It is a question of policy which it has

decided contrary to the decision of farmer organizations in the past. It is doubtless wise; the failure of a cooperative movement now cannot well take down with it the Farm Bureau movement, if the Farm Bureau is not intimately tied up to it. At the same time, the Farm Bureau is not blocking the growth of farmers' cooperative enterprises. Not by any means. Some of the best development in this direction has been under the influence of the Farm Bureau and its leaders, as we shall see in subsequent chapters.

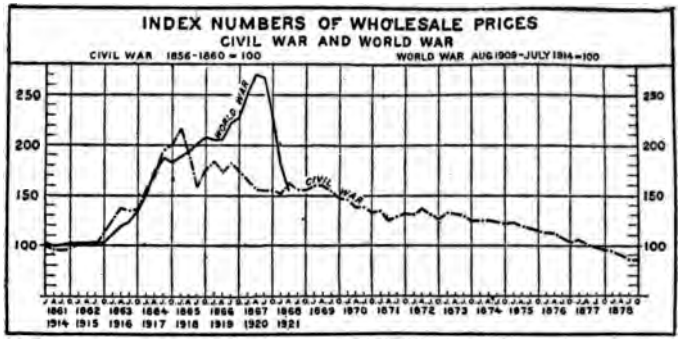
CHAPTER FOUR

Causes of Unrest

It is not hard to discover the causes of the unrest among farmers, or at any period when the movement to organize has been pronounced. Any one with imagination can diagnose the workings of the farmer's mind; lacking imagination, he can look up a competent table of farm statistics and discover the reason.

Conditions are slightly different than they have been during other periods of depression. While we have always been more or less of a surplus producing nation, we were never more so than at the present time. There was a time when the average farmer produced very little more than was necessary to support his own family; he had little surplus to market, and most of it went to barter at the store for the necessities he could not produce. Today, practically every farmer is producing vast quantities of foodstuffs and raw materials. The family living is coming to be more and more an incident to farm production; sometimes it is neglected almost entirely, where the farmer is a specialist.

Fig. 3.



Wholesale prices in the United States, by quarterly periods, showing the violent drop and partial recovery after the Civil War and the more violent drop after the World War.
—Bul. 999, U. S. Dept. Agri., p. 4.

Dr. W. J. Spillman, recently of the U. S. Department of Agriculture, said in an address before the 1921 "Farmers' Week," at Columbia, Mo.:

"Just a few more than one hundred years ago farming was hand work, and one man could till from five to ten acres of land. That part of the country which was settled before that time had little farms from fifteen to twenty-five acres. Thirty acres of cultivated land they thought a big farm, and it took a big family to till it.

"Today, I know a man who plowed the land, put it in good condition, and planted four hundred acres of wheat himself, without help from any other living being except his horses. Every day when he went to the field he drove eight horses. He raised twelve thousand bushels of wheat in one year, without a single day's help from anybody except at harvest time, and in that country the harvest is all done by custom crews. He didn't take any part in the harvest himself, and he plowed the land, put it in good condition—which he had to do to raise

thirty bushels of wheat to the acre, which he did—and sowed the wheat. Four hundred acres of wheat! That is a record, so far as I know, with horse power.

"In the year when we went into the World War and sent our boys all into the army, there was an old farmer in Indiana sixty-three years old, who had been retired for thirteen years. The Government called on him to produce all the wheat he could to feed our armies and our allies in the great war. He couldn't get any help but he had a lot of land and he had horses. One of my boys told me that one day he saw that old man driving an eight horse team hitched to a big disc harrow and leading a six horse team hitched to a big drag harrow. One old man, sixty-three years old, working fourteen horses! Now that was pretty good work for a young fellow!

"The point I want to make is this, that now-a-days, for the major operations of the farms, the farmer uses more power than he has in his muscles. He uses the power of horses, he uses mechanical power, he uses the forces of nature, outside of himself; whereas, one hundred years ago he used main strength and awkwardness in his farming. What does that mean?

"It means that where we used to grow five to ten acres of crops per man, today it is a fairly easy thing for a man who has a properly diversified system of crops, a good crop rotation, to handle a couple of hundred of acres of land. One hundred acres is easy. * * *

"It means that one man working on a farm today can produce ten times as much food as he produced a hundred years ago, or than his grand-daddy produced a hundred years ago. Ten times as much production per individual."

While production has been increasing on the farms it has, by no means, been lagging in the fac-

tories, the mills and the mines. The labor released by the farmer through his increased food production, which has gone to the cities and engaged in industrial production, has likewise had the benefit of mechanical power to increase its production. The man in the factory today may, by the simple operation of touching a button or pulling a lever, produce one hundred times as much as the industrial worker working with his hands a hundred years ago could turn out.

This means that the wealth of the country has been increasing at a tremendous rate; that it is many, many times what it was one hundred years ago. Dr. Spillman continued:

"This development of producing power, the application of mechanical power, of electricity and steam power, has gone on so rapidly, has increased our wealth production so rapidly, that we haven't yet learned to consume all of it.

"....It happens that this application of mechanical power, this creation of wealth has gone forward at a more rapid rate in city industries than it has on the farm, and the accumulation of capital and surplus wealth which could be used for extending industry has nearly all been in city industries.

"Even where the farmer has created surplus wealth, instead of applying it to the extension of his own business, for broadening and intensifying agriculture, he sells his surplus, puts his money in the bank, and the banker, in order to make it profitable to him, sends that farmer's money to New York City to loan to a trolley company to build a new trolley line, to loan to a factory man to build a new factory.

"The surplus wealth created in the country has been used to build additional industries in the city....This application of the surplus wealth to broadening and strengthening of city industries has created unprecedented demands for labor in those city industries, and the effectiveness of labor with all this power available to it has enabled those city industries, very legitimately, to pay enormous wages.....That is what is the matter with us mainly in agriculture today....and then, instead of using that surplus wealth in developing all of our industries, including agriculture, in a co-ordinated manner, we have used too large a proportion of it for the development of city industries, and have drawn labor away from the farm to the point that now, when you old men have to quit, there isn't anybody to take your places."

The simple fact that there has been an increased individual production by the farmer the past hundred years is not, of course, responsible for the unrest of the farmer, entirely. If it were, it would seem to be a simple matter to curtail that production to the point where the maximum profit could be realized. There has been the more or less increasing competition of cheap food from the low-production-cost agricultural countries, notably Australia, Argentine, China and Denmark. The food importations of these countries to our shores has aided materially in holding down or forcing down the price of farm products on our markets.

Increased individual production is not wholly at fault. There has been a need for it; so great a need, in fact, that for years the greatest cry to the

farmer has been to produce more that food might be cheaper in price. While the American farmer has ever been a maximum producer, he has about come to the conclusion that he has been led astray by persons selfishly interested in seeing him piling up the grain and the live stock and other products. We may even witness the unique spectacle of the American farmer cutting down his grain acreage and planting clover or "keeping his corn in the ground," as the expression goes, because he is questioning the old theory of "increased" production. He now spells the term "sane" production, or production at a profit.

The thought that he has been constantly urged to produce more, and has produced more, coupled with the experience that in the years when he has worked the hardest and spent the most money getting what the market pretended to want, he has found himself with ruinously low prices to face when he came to market, has had a great deal to do with the growing dissatisfaction of the farmer.

And when you consider the marketing system now followed in this country, you have put your finger on the great big "sore spot." The farmer is more than dissatisfied with existing marketing agencies and conditions. This feeling has not come to a head through over-night grievances or fancied slights. It has been growing upon the

farmer through sixty years of abuses and hard knocks.

In war years he witnesses the great prosperity on every hand, the hordes of new millionaires created by the profligate spending of "blood and treasure;" he witnesses every industry dealing with the Government in the emergency receiving guaranty contracts of more than fair profits; he witnesses the profiteering of every class and is victimatized by many of them, and on the other hand, finds the prices of the products he manufacturers controlled by the Government (as all prices should be)—and there arises in his breast that all-compelling question, Why?

When the inevitable "deflation" comes, he is the first to bear the brunt. The violent fluctuations of the market tend to catch him both ways—as the producer of food and raw materials, and as a consumer seeking the manufactured product. The United States Department of Agriculture has said, in Bulletin 999, page 4:

"Another characteristic of prices during a period of rapid change in the general price level is the violence of fluctuation. In normal times the prices of each individual farm product usually fluctuate about the general price level. In periods like the present (1921) there is more than the usual uncertainty as to supply and demand, and

an even greater disturbing factor is the shifting of the general price level about which individual prices fluctuate.

"During each of the periods of rapidly rising prices, as from 1899 to 1912, the cost of living has been widely discussed, largely because wages have tended to lag behind prices and salaries and incomes from investments have changed even more slowly.

"When prices fall more rapidly farmers and others who go in debt to produce articles to sell find the payment of debts to be increasingly difficult. At each period of rapidly falling prices the money question has been greatly discussed."

Elsewhere in the same Bulletin, the Department again states (page 17):

"Farmers sell on a quickly moving market and buy on a slow market, hence, when a sudden and violent drop in prices occurs, they sell at low prices long before any great reduction occurs in the price of things that they buy."

The dissatisfaction of the farmer with the marketing system has been smouldering for two generations. A ray of hope has come now and then in great movements promising relief. But these have been too visionary, or have promised too much to enjoy the success they deserved. The farmer has not yet made up his mind as to the

remedy; he knows the evil, he knows that it ought to be changed, but he finds himself in the position of combatting an entrenched foe without weapon, capital or experience.

The farmer has come to distrust and to loathe the middleman. He charges him with being the party largely responsible for his troubles at the markets. All the farmer knows is that he is paid so much for his products and that when they get into the consumers hands they bring several times the farm price. He blames the middleman for that.

The middleman, on the other hand, quietly takes advantage of the wholesale marketing of the farmer in the fall months immediately following the harvest, buys at the low point, and then feeds the market in an orderly manner throughout the year. In this way he is enabled to charge all the "traffic will bear" and take increased profit from his speculation.

It took the farmer a full forty years to learn this fact, to realize that disorderly marketing, marketing in excess of what the market desired, was really one of the larger factors for the depression of farm product prices each autumn. And he has put that down in his mind as a thing to be remedied, and which can be remedied, by cooperative

Fig. 4.

COMPARISON OF PRICES PAID TO FARMERS IN VARIOUS STATES AND WHOLESALE PRICES.

	5-year average before the war June, 1910–1914.	June, 1921.	Percentage that 1921 price is of 5-year average.
Corn:			
Farm price—	*Cents.*	*Cents.*	*Per cent.*
United States	67.7	62.5	92
Iowa	55.4	44	79
New York	75.4	93	123
Wholesale price, No. 2, mixed, New York City	71.8	88	123
Wheat:			
Farm price—			
United States	90.8	127.4	140
Washington	83.0	114	137
Kansas	87.6	130	148
New York	101.6	135	133
Wholesale price, No. 2, red winter, New York City	104.8	182.5	174
Cotton:			
Farm price—			
United States	12.7	9.8	77
Texas	12.4	9.9	80
Georgia	13.1	10.5	80
Wholesale price, middling upland, New York City	13.51	12.90	95
Eggs:			
Farm price—			
United States	16.7	19.4	116
Iowa	15.6	16	102
New York	20.2	29	144
Wholesale price, average best fresh, New York City	24.25	26.25	108
Butter:			
Farm price—			
United States	23.5	29.4	125
Minnesota	25	26	104
New York	28	36	129
Wholesale price, creamery extra, New York City	26.48	29	110
Wool:			
United States	17.5	15.4	88
Montana	18	16	89
New York	20.4	18	88
Wholesale price, Ohio fine, unwashed, Boston	21.55	30.5	142
Hogs:			
United States	$7.16	$7.22	101
Iowa	7.32	7.00	96
Indiana	7.42	7.40	100
New York	7.40	7.80	105
Horses:			
Farm price—			
United States	145.00	98.00	68
Montana	139.00	60.00	43
Iowa	165.00	125.00	76
New York	180.00	147.00	82

—*Bul. 999, U. S. Dept. Agri., p. 18.*

marketing. In addition, the obnoxious middleman can be eliminated at the same time.

A glance at the accompanying charts (Figures 3, 4, 5 and 6), will serve to indicate what takes place in the farmer's mind when he discovers the facts which these charts indicate. It will be noticed that since the outbreak of the World War that the tendency has been for the "spread" between the farm price and the retail price of commodities to become greater and greater. The farmer wonders why this should be. He feels that an injustice has been practiced upon him when he has not been permitted to keep pace with the other trends.

For instance, he notices that the June, 1921, price of corn in Iowa is but 79 per cent of the five-year average price prior to 1914, while the wholesale price of corn in New York City is 123 per cent compared to the same five-year average. Kansas wheat in June, 1921, was 148 per cent above the average 1910-14 price, while the New York wholesale price had risen to 174 per cent. (See Fig. 4.)

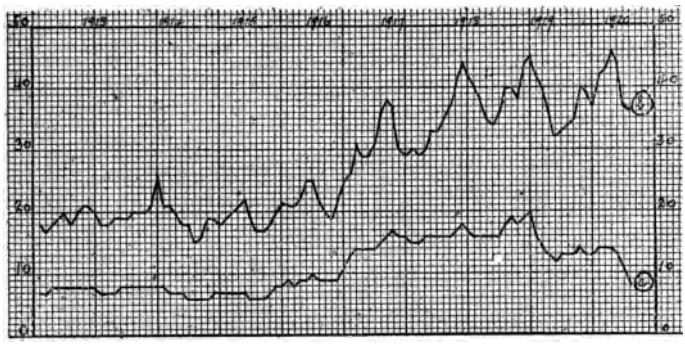
The feeling that he was not getting a fair shake at the hands of the present marketing system has been created and aggravated by a number of instances and experiences. Dr. W. J. Spillman tells a common one, in the following words:

"When I was a boy down in Lawrence county, Missouri, we used to sell our wheat at the local elevator, and it was then shipped to St. Louis where it was milled. At that time we got six cents below the market price at St. Louis. Freight was cheap in those days. After a while, it came about that instead of shipping wheat from southeast Missouri to St. Louis to be milled, it would be shipped to Fort Worth and Dallas and Austin, Oklahoma City and El Paso. Yet the elevators in Pierce City were still paying, not six cents now, but ten cents below the St. Louis price of wheat, when wheat was being shipped right through St. Louis to the same place we were shipping our wheat. Under all the rules of war and trade we were entitled to the St. Louis price plus freight, because those elevator men who bought our wheat actually did get that. They were making twenty cents a bushel merely for pouring our wheat out of our wagons into their bins and running it through into a car. While we spent the better part of a year making that wheat, they spent ten minutes handling it and getting twenty cents a bushel profit out of it.

"We built a little cooperative elevator down there, holding about two carloads of wheat. The day we announced we were ready to receive wheat in that elevator, the price of wheat went up

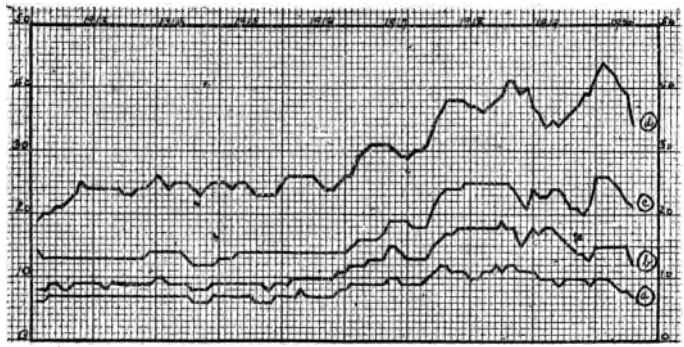
Fig. 5.

NOTE INCREASE IN "SPREAD" OF PRICES IN RECENT YEARS.



Price of hogs and pork chops from January 1, 1912, to December, 1920.
(A)—Farm price of hogs in Missouri. (Data from Monthly Price Reports.)
(B)—Retail price of pork chops in St. Louis. (Data supplied by U. S. Bureau of Labor Statistics.)
—Missouri Farm Review, 1920, p. 25.

Fig. 6.



Beef cattle and beef prices, January 1913, to December, 1920.
(A)—Farm prices of beef cattle in Missouri. (Data from Monthly Price Reports.)
(B)—Wholesale price of steers, good to choice, at Chicago. (Data supplied by U. S. Bureau of Labor Statistics.)
(C)—Wholesale price of fresh beef from good native steers at Chicago. (Data supplied by U. S. Bureau of Labor Statistics.)
(D)—Retail price of round steak in St. Louis. (Data supplied by U. S. Bureau of Labor Statistics.)
—Missouri Farm Review, 1920, p. 23.

eighteen cents a bushel in our adjoining towns without any change in the price at St. Louis at all. We got the legitimate market price of wheat, whereas before we weren't getting it. Wherever there is discrimination of that kind, this cooperative selling of wheat will wipe it out."

Few people know that the dissatisfaction of the farmers of North Dakota which caused the Nonpartisan League to come into being, was grounded in a bit of dishonesty practiced by the milling interests concerning the wheat crop of 1916. Senator E. F. Ladd, formerly president of the North Dakota Agricultural College, explains it in the Congressional Record, May 2, 1921, as follows:

"The best illustration of the essential dishonesty of this system of marketing was shown in 1916, when hot winds resulted in the production of shriveled kernels of wheat throughout North Dakota. The grain buyers announced that this wheat was unfit for human consumption and that none of the existing grades would cover the case. Therefore they said that the North Dakota wheat that year would have to be used for chicken feed, and special feed grades of the A, B, C and D classes, were devised to suit the occasion. Practically the entire crop of North Dakota wheat that year was purchased as feed and the price of this wheat ranged from 40 cents to $1.05 per bushel under the

ordinary grades at which the farmers had formerly sold their wheat. As a consequence the farmers of North Dakota lost millions of dollars on that one crop, and their rage and chagrin can be imagined when it was afterward discovered that the mills of Minneapolis not only manufactured this wheat into flour but had the audacity to claim superior quality for this flour on the ground that it was unusually rich in gluten—absorbed a large amount of water and made an exceptionally large loaf of nutritious bread. Copies of the circular letters which the millers sent out to their trade advertising this flour came into my possession and enabled me to expose this gigantic swindle which had been perpetrated upon the producers of North Dakota. It was this fact more than any other that caused the farmers of North Dakota to enroll in the Non-partisan League in such numbers."

The causes of unrest spring out of fundamental grievances and abuses which are in large part due to the present marketing system. They may be enumerated as follows:

1. Surplus production.
2. Price fixing by middlemen.
3. Disorderly marketing.
4. Discrimination in fixing grades.
5. Abuses of the marketing agencies.

CHAPTER FIVE

Orderly Marketing

Commerce, said Emerson, is carrying things from where they are plentiful to where they are needed. There is much implied in this thought. It signifies, first of all, an efficient effort at distribution, for that is all that business means in the last analysis. If everyone had all that he needed or desired of the world's goods, there would be no business, no human effort expended beyond the primitive instincts of hunger and shelter. But we require a multitude of things, and this demand increases with the complexity of our civilization. Business, commerce is the production and the distribution of the things which will supply those wants.

It is significant to note that Emerson placed the emphasis upon the *distribution* of products; of course, it implies that the things must be produced before they can be carried from place to place, but the emphasis is upon the distribution side. Indeed, this is not unique. For three-quarters of a century we have, in this country at least, laid the emphasis there, regardless of what our business

may be. Business men have laid the stress on the selling side; manufacturers in estimating their costs, have laid aside fully as much capital for selling their products as they have for producing them in the first instance.

Anyone, we have thought, can produce; the real art is in the selling and the distribution of the product. And to the distributors have gone the great profits. This theory has given rise to the host of speculators, middlemen, brokers and commission men which attach themselves to our present marketing system. It has attracted the young men of ability and initiative to the side of distribution, rather than to the more fundamental side of production. It has been responsible for the drift of population from the farms to the cities. And, no less important, it has been responsible on the one hand for the high cost of living to the consumer and for the present sad plight of American agriculture.

The farmer, living in a world where every other class of business man placed the emphasis upon the side of distribution, failed to recognize the importance of getting in tune with the economic forces at work about him. He did not move with the procession, he did not take a leaf from the experience of other business men and give distribution the attention it deserved in his business.

In fact, he paid no attention to it at all. He had inherited from his sires the habit of production, of carrying his products to the local markets and of returning once more to the business of producing. While other business men were forced by grim necessity to state the case as Emerson did, the farmer constantly put off the day of reckoning.

When farming became unprofitable in one section, he could "pull his stakes" and follow the Westward tide, where the pioneer standards were susceptible only of the standards of which he was familiar. When the good sections had been settled, he had a temporary respite in the increasing value of his farm lands. Practically two generations of farmers in the Middle West, for instance, have worked out their years, earned a fair living and then taken their profits in the unearned increment of their holdings.

That day has ceased. Land values have climbed to a point where it is decidedly unprofitable to own farm land, in view of the prices of farm products. Many Iowa farm lands are unable to earn sufficient profit, over the cost of production, to pay taxes.

It means that one of two things must come to pass, in the fullness of time: Either the breakdown of American agriculture completely, or the farmer must turn his attention to the distribution

side of his business. He must give thought to marketing and to efficient marketing. The American farmer does not propose to give up without a struggle. Hence the great attention at the present time and the great agitation for orderly marketing.

There is nothing mysterious about orderly marketing; it is not a radical program, nor is it socialistic in principle. It merely means that the artificial restraints now imposed upon our marketing system shall be removed so that the law of supply and demand may function in its normal manner.

The periodical glutting of the markets following the harvest has resulted in depressing the prices of commodities below the point where they should properly go, had the markets been fed in an orderly manner. It is not at all unusual that the markets should refuse to react properly when they are being glutted with an over-supply. There is no commodity in the world which reacts faster to an over-supply than food. If you are hungry, you will gladly pay a dollar for a dinner, but you will not pay ten cents for the best meal in the world five minutes after.

"The great need in marketing today is to have farm products fed to the markets of the country without market glutting. This can be done by

proper organization. The stable prices resulting will be of incalculable benefit not only to farmers and consumers but to the majority of middlemen as well.'"*

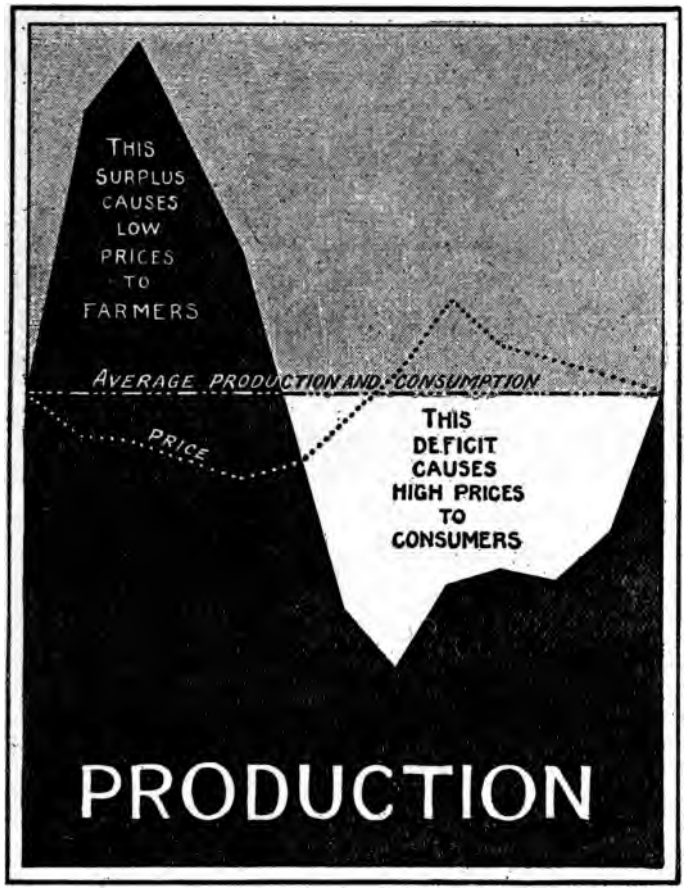
Many people have held to the opinion that the great difficulty lay in the fact that there has been lack of uniformity in the production of farm products, rather than to any especial faults of the present marketing system. "The farmer ought to stop producing so much. He ought to find out what the market can handle and then regulate his business like any other business man would," they argue. But farming is not a business that will permit of uniformity in production. As a rule, the peak of production comes in the summer and fall, when the demand for foodstuffs is not so great as during the winter. Many of the farmer's products are produced in a single month or two of the year; his production is at the lowest ebb during the winter months. This makes it necessary for him to grope more or less in the dark as to the amount he should produce because he has to plan his operations at least one year in advance of market requirements, and in some instances, two years.

Since the peak of the farmer's production must come in a few months of the year, considerably

* The Road To Better Marketing, Cir. 136, Univ. Wis. (1921), p. 1.

Fig. 7.

HOW PRICE FLUCTUATIONS CAUSING ERRATIC PRODUCTION AFFECT BOTH THE FARMER AND THE CONSUMER.

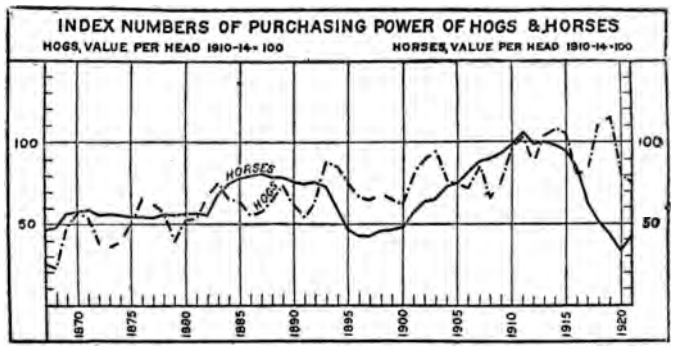

THIS SURPLUS CAUSES LOW PRICES TO FARMERS
AVERAGE PRODUCTION AND CONSUMPTION
PRICE
THIS DEFICIT CAUSES HIGH PRICES TO CONSUMERS
PRODUCTION

—Wisconsin Bulletin 136.

more than it is possible for the market to consume or use, and in other months there is little or no production, it is obvious that the production will exceed the demand in some seasons and be less than the demand in others. Production cannot be stabilized in the sense that it is in other industries, like manufacturing, for instance.

Fig. 8.

HOW FLUCTUATING PRICES INFLUENCE THE PRODUCTION OF HORSES AND HOGS.



Purchasing power of hogs and horses in the United States. Periods of relatively high and low prices for hogs come at frequent intervals. Horses have longer and more violent periods of over and under production.
—U. S. Dept. Agri., Bul. 999.

It has been this periodical glutting of the markets in certain seasons, due largely to the nature of the farmer's business and the fact that his financial obligations have been made to mature at harvest time, which have caused the violent fluctuations in prices. Lacking a systematic organization in his business as a whole, the farmer has

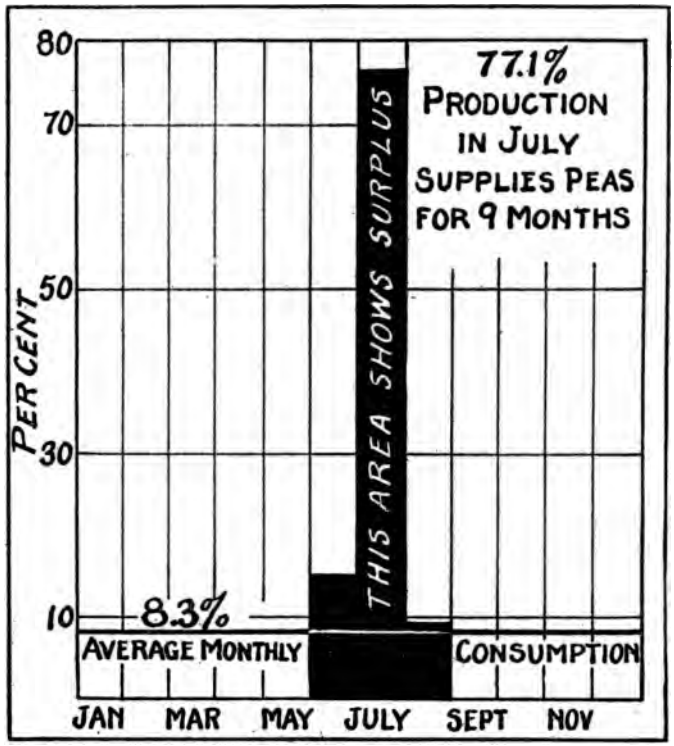
been unable to prevent this seasonal glutting of the markets, and "conditions" have been such as to encourage the middlemen who absorb the market offerings to depress prices as far as they can safely go in order to buy their raw material as cheaply as possible. Then when the glutting has ceased and the oversupply withdrawn from the open market, then prices have continued to mount as high as the public would stand for it. This means, as high as there was ability to pay on the part of the consumers.

The first step in bringing order out of chaos is to adopt the principle of orderly marketing. The glutting of the markets must be stopped before we can give proper attention to the production side of farming. The limitation of production can never bring about the desired results so long as the menace of disorderly marketing threatens the farmers. We cannot hope to remedy the situation by swinging around and attempting disorderly production. Seasonal glutting of the market, even in a normal production year, depresses prices. That must be corrected before we can turn to other considerations.

"The surplus which causes the flooding of the markets," says Macklin, "is not caused by any one farmer alone but by all the farmers producing a given product....This, therefore, is not a local

Fig. 9.

SEASONAL PRODUCTION IN PEAS.

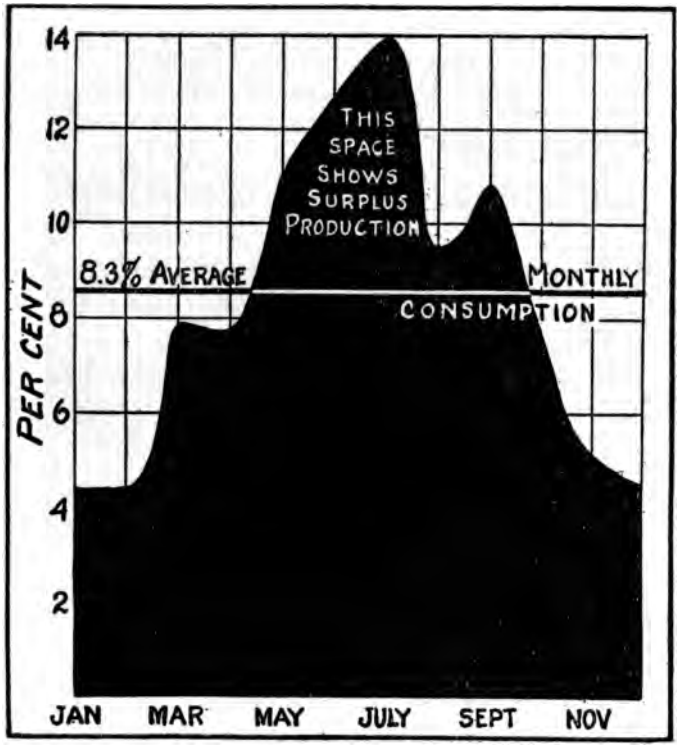


Pea production entirely seasonal.

Few products are matured in such a short season as peas for canning purposes. Were it not for organization most of the crop would have no value at all. Price stabilization has been realized to a great extent by relatively efficient distribution of the finished product.

—Wisconsin Bulletin 136.

Fig. 10.



CHEESE.

and individual problem but a country-wide group problem. The only way to hold this surplus back so that prices will be stabilized is to have all or most of the farmers of the industry organized for orderly marketing."*

* The Road To Better Marketing, p. 3.

It is this thought, more than any other, which has been responsible for the growth of the farm cooperative movement throughout the world and none the less so in the United States. Were individual production possible on a large scale, as it is in manufacturing, the farmers would have long since settled the matter as individuals. But farming cannot be conducted, and is not conducted on a scale sufficient to make any great impression, so far as individuals are concerned, on the market. Even the production of a highly specialized crop such as potatoes is not in the hands of a few growers. Our average consumption of potatoes in this country in normal crop years is *one million bushels per day,* yet the individual growers in this country who produce 100,000 bushels of potatoes annually could probably be named on the fingers of one hand.

The orderly marketing program which the farmers have mapped out for themselves contemplates the achievement of price stability through cooperative marketing agencies of two distinct kinds: (1) the local units and (2) the state or sectional federations.

These cooperatives are necessarily divided into distinct commodity groups, such as grain, live stock, potatoes, wool and creameries (in the middle west) and in other localities into even more

highly specialized groups. The province of the local units is to act as collector and shipper of the local products. It is merely a local agent or buyer, such as local elevators, live stock shipping associations, creameries or wool shipping associations.

The federation of all of these local units in a given commodity group is generally located at the logical terminal market for the product. It may have branches at other terminals. Its business is that of general sales agent, packer and distributor of the product to the logical consumers. Most of this business is conducted in a wholesale way, as it should be. No attempt is being made, nor should be, in these federation movements, to conduct retail stores as a further link in the chain. The true cooperators are anxious to utilize the services of every legitimate middleman. The fact that farmers' cooperative stores are in operation in some localities has nothing to do with this newer program. They are a matter of local initiative in which the farmer has not acted so much as a farmer, but as a member of the consuming class.

"Efficient marketing," continues Macklin, "necessitates organization because, while certain services are best rendered by small local units, other services—especially those phases of storing and distributing which result in market feeding and price stabilization—can be gained only by the

development of large scale federations or selling systems. If farmers want a system of improved marketing they must practice consolidation, coordination, cooperation.... If successful local enterprises are to prevent the alternate starving and flooding of markets with consequent seasonal price fluctuations, they must coordinate all their selling activities. Particularly must they work together under a definite plan that will guarantee sufficient business for each federation to maintain a staff of experts to:

"1. Collect accurate supply and demand facts;

"2. Store the surplus seasonal production for sale in seasons of deficit production;

"3. Advertise branded products which have been rigidly graded and represent standardized dependable quality;

"4. Feed markets and thus stabilize prices so that farmers may be protected against the hazards of price fluctuation.

"These hazards now seriously affect productive operations and interfere with the maintenance of satisfactory conditions in rural life."

Production has been claimed to be at the bottom of price fluctuations by those who are friendly to the present system and who feel that the farmer "should mind his own business" and continue to produce, but it is likewise a fact that price fluctua-

tions have had a serious effect upon production. The United States Department of Agriculture has said:

"Violent changes in the price level result in violent changes in industry. If the price of a particular product is not favorable, its production is checked, but the price does not fully respond to the reduced effort until the product that is already in the process of production and merchandising is nearly exhausted. Prices then rise and new production begins, but the new efforts at production have only a limited effect on prices until the new goods have passed through the process of production and merchandising. The length of time that the prices of a particular product remain high or low, therefore, depends largely on how long it takes from the beginning to the completion of the product. Other factors are, of course, involved."*

Orderly marketing, so far as the farmer is concerned, can not occur so long as the surplus of his products continues to fall into other hands. The incentive to depress prices in order to buy cheaply is too great, and the subsequent incentive to elevate prices in selling to the consumer is sufficient enough to admit of no material reduction in the national cost of living. The first great need is for the erection of storage facilities for surplus farm

* Dept. Agri., Bul. 999, Prices Farm Products, Warren, p. 7.

products, owned and controlled by the farmers, so that true orderly marketing may be brought about.

"The most important things farmers should work for," said the secretary of agriculture, recently, "are the perfection of their cooperative selling organizations with a view to putting the marketing of farm products on a thoroughly sound business basis, and the careful study of needs of the consumer and intelligent adjustment to those needs."

Orderly marketing will result in many distinct improvements over the present system. The fact that the farm cooperative movement is being so strenuously opposed all along the line, is eloquent testimony of this fact. It will result in:

1. The elimination of violent price fluctuations.
2. A more uniform production. The farmer can operate with less chance of huge losses.
3. The reduction of marketing waste.
4. Greater economy in marketing, enabling the farmer to secure a larger share of the consumer's dollar.
5. A lower cost of living to the consumer, because of the elimination of the violent fluctuations in prices and production.

PART II

THE LOCAL MOVEMENT

CHAPTER SIX

Local Cooperatives Generally

The local cooperative organizations are at once the strongest and the weakest links in the farm cooperative movement. They are, in the very first instance, the most important units in the cooperative plan of action, because they are the cornerstone upon which the whole movement must rest. They are the units which are in most intimate contact with the individual farmer-members, and where the quality of the cooperative spirit must have its highest form, if the whole movement is to attain any great success.

On the other hand, the local cooperatives are often a very weak element and the cooperative movement would be well rid of a large number of the local cooperatives which were poorly executed in the beginning. In far too many communities, local enthusiasm has been allowed to run away with sober reason and cooperatives of various kinds have been launched which never should have been started. These weak locals have done more to discredit the whole idea than anything else.

Failures are bound to come to cooperatives which have been organized without proper refer-

ence to the volume of business to be transacted in the trade territory; failure is likewise certain to attend the organization of locals inadequately financed, poorly managed and under the dominance of a niggardly business policy.

A local organization having a small volume of business in sight is not in a position to pay for the proper type of management necessary to insure success. It must depend almost entirely for management upon some member who is willing to undertake the work for a small salary, who, in the majority of cases, has no knowledge whatever of the business himself, and who must conduct the doubtful experiment of learning it as he goes along. And the sad part about it is that the trusting members of the organization are holding the sack while this is going on. It is this sort of thing which has been responsible for the high rate of mortality among the farmers' cooperative associations in the past, and which has given credence to the erroneous thought that "the cooperative principle will not work, because they always fail." The trouble has not been with the idea, it has been with the management to which the idea was entrusted.

On the other hand, where local cooperative concerns have been wisely launched, with due reference to the possibilities of transacting a profitable

business in the logical trade territory to be served, where the financing has been ample and judicious, and where the best managers that money could hire were employed, some of the most outstanding achievements in the cooperative movement have been made.

The central idea back of the local cooperative is service, not profit. In earlier times it was necessary to organize many of these concerns into capital stock companies, or corporations, because of lack of legal facilities to form a true cooperative concern. It is significant to note that the farmer has never desired to enter business to earn profits, and when he has come into a given business, he has come with the idea of *saving* the unnecessary profits of middlemen. His idea is to shorten the route from the farm to the consumer, to eliminate waste and duplication of effort. He would, thereby, profit to the extent of the unnecessary profits or toll taken by others, which he was able to dispense with in the marketing service.

The true cooperative is organized more or less as a loosely thrown-together association having more or less the characteristics of a private corporation for profit, but looking rather to the service feature in the mission it frankly attempts to perform. The business is conducted at cost for the benefit of stockholders and patrons alike, the

one having no advantage or special privileges over the other. The only distinguishing feature between the stockholders and the patrons is that the stockholders are paid a certain agreed interest upon the money which they have invested in the business. The locals are generally conducted at the same charge or commission asked by the old-line companies or concerns in the same line, and, at the end of the year, the *savings* are divided among the stockholders and patrons in the form of patronage dividends, based upon the amount of business which each individual has furnished the concern. Thus, the man who does the most in building up the business of the local during the year profits to the largest extent in the patronage dividends. This division of the profits is the most equitable and fair which has been found in our business world to date.

The patronage dividend which the members and patrons receive is not the only advantage arising from the local concern. Through collective bargaining for the whole community in the sale of the particular product handled, the individual members or patrons secure all the benefits which a large corporation could secure on the terminal markets. Competition, theoretically, has been eliminated by the cooperation in a single unit, among the individuals in the community. They

can all go to the terminal markets with their products on an equal footing. Their competition, as individuals on the local market, has not been used to depress the prices of their products at their very doorsteps.

Another great advantage which the local cooperative business associations has brought to the farmers has been the better spirit which they have fostered among the farmers themselves. The farmer has ever been more or less of an individualist; indeed, some very good authorities have inclined to the belief that this deep-seated spirit in the farmers would forever prevent them "getting together" in a durable fashion. The local business associations have been of untold value in fostering the true cooperative spirit, in softening the old lines of suspicion and distrust for the neighbor. And this spirit, once it becomes general will do much to liberate rural life of many of its past deficiencies. We can thank these early cooperative business organizations as being pioneers in this movement; as being the fountain-head of the present new spirit which is characterizing the farmer of today.

That a new spirit of fair play is moving the farmers of America, a spirit which has never been announced by any other "class" in all history, is evidenced in the following quotation from Presi-

dent J. R. Howard's introduction to "The Farm Bureau Movement" by O. M. Kile:

"Agriculture cannot set itself up as something independent and apart. In our modern state of complexity agriculture is as dependent upon the city as the city is upon the country. If organized agriculture acts wisely and sanely there will be no cause for alarm on the part of the consumer, the business man, or even the honest straight-forward politician. Strife usually comes through misunderstanding. The success of the farmers' movement in fitting itself into the social and economic structure smoothly and with mutually beneficial results, depends upon a thorough understanding on the part of the urban public of its motives and purposes."

The local cooperatives are going to work more and more to this end because, as their success grows, they will hold together the local membership. People will come together with a common purpose where their pocketbooks are at stake, where they will never come together under other conditions. The business necessity of close cooperation is going to foster the spirit of cooperation more and more in other directions. That is an inevitable advantage of the local units.

In the main, the local cooperatives are the foundations of the other efforts towards coopera-

tion. They have been the beginning out of which has come the other and more modern growths. And the larger movements depend absolutely upon the locals for their power and existence. Their very life blood is drawn from them. In the study of the cooperative movement as a whole, then, the importance of the local cooperatives, which may seem puny as individual business concerns, cannot well be over-estimated.

CHAPTER SEVEN

Local Elevators

Changing the ownership of our existing marketing agencies and their facilities is not the large work of cooperative marketing on the part of farmers. If cooperation were advocated merely because it would wrest the control of these agencies from one set of individuals and transfer it to another, there would be little to commend in the program. But cooperation exists for the single outstanding reason that it offers a possibility of performing a service for society apart and distinct from the service now performed by agencies serving the same field that are privately owned. If the cooperative movement does not offer to perform this service, then it will not, and does not deserve to succeed. Lacking this service, it will be merely another overhead organization taking its toll from the producers and consumers of the land.

The service to which we refer is more efficient marketing. Doing the same work and doing it a little cheaper. Cutting out the waste incurred in private ownership and management where the sole criterion of profit is to charge all that the traffic will bear. Affording storage facilities whereby

the individual farmer, by pooling his grain and his resources, may store it, to market later in the season when prices have commenced to mend. Sinking the old hoax of individualism among farmers and bringing them together in common purpose, fostering the community spirit and developing, in the end, that greatest of all the fruits of cooperation, the cooperative spirit. These are the larger reasons for the cooperative marketing movement; the larger reasons why it stands as a solution today for the economic problems which so seriously beset the agriculture of this country.

Particularly significant in the cooperative marketing movement among farmers is the ownership by farmers of local grain elevators. The local elevator is possibly the pioneer among farmers' cooperative marketing agencies; if not, then it is antedated only by local creameries. The local elevator movement started back in the early '90s in response to the feeling of unrest current among farmers at that time, who felt, as many do today, that they were not getting a fair shake in the marketing of their grain. It is natural that the first step the farmers should take would be in acquiring the ownership and control of the local elevator, for it was there that they first came into direct contact with the grain trade.

O. M. Kile, in his work on "The Farm Bureau Movement," states: "The most vigorous sort of opposition was encountered and for a time this movement made small progress. The strongly intrenched line elevators, usually owned by big milling and financial interests, enlisted the aid of the railroads in refusing siding privileges, 'forgetting' to furnish cars and 'losing' shipments. The banks refused credit at critical times. In many instances where farmers were about to form a local organization the rival concern sent in organizers and arranged for a 'cooperative' elevator which was cooperative in name only. Many of these still exist.

"By 1910 much progress had been made in many states, however, and in 1915 Illinois had 192 farmer-owned elevators; Iowa, 228, and North Dakota, 264. Since 1915 the movement has been quite rapid and it is officially stated that today (1921) there are more than 4,000 such elevators in active operation, largely in the middle west."

Perhaps an intimate examination of two elevators which the author has personally visited will serve to graphically present to the readers the local elevator, the field it serves, and the purposes and policies back of its organization. One of these elevators is located in southern Missouri and the other in central Minnesota.

Down in Jasper county, Missouri, there is a real cooperative service station. We refer to the Farmers' Cooperative Elevator Company of Jasper. Organized in 1916, with $15,000 paid up capital, it stands today a living example of what can be accomplished along cooperative lines by serious-minded farmers when their shoulders are put to the wheel and all work together for the common good.

Jasper is a town of about 700 population located in the north end of Jasper county, on that great plain above Carthage starting over in Kansas and running east to the Ozarks. It is right in the heart of the southern Missouri grain-growing section where considerable small grain is produced each year. About 400 stockholders living around Jasper are responsible for the Farmers' Cooperative Elevator Company. They have constructed one of the finest elevator plants owned and controlled by farmers now in existence in the middle west. Their elevator and feed mill cost $10,000 to erect in 1916, is fireproof throughout, being constructed entirely of concrete and brick.

"The fact that we are a stock company should not be taken to mean that we are a closed corporation," said J. E. Hull, who has been manager practically all of the time since the company was organized. "We have men outside the organiza-

tion who have been patrons since we started. While they do not participate in the dividends paid, the big advantage from our company does not come from that source. The advantage we offer to the patron is that we are paying closer to the market, sometimes as much as 10 cents per bushel, more than our competitors can pay. One man was in the office the other day who said that the company had been worth $300 to him since he started dealing with us in the saving we had made for him in this way; another man said that it had been worth $1,000 to him on one crop. Neither of these men were stockholders in the company."

In 1921 the Farmers' Cooperative Elevator Company shipped 96 cars of grain averaging 1,500 bushels to the car. Two years before it shipped 250,000 bushels of wheat. "There is one point to be made right here," said Manager Hull, as we were discussing the shipments made, "and that is the kind of cars in which to ship grain. I believe other farmers' cooperative companies will be interested in our experience. Stay shy of small cars. An 80,000 pound car, for instance, will hold 2,000 bushels of wheat, while a 60,000 pound car will hold only from 1,000 to 1,100 bushels. This may not seem to indicate a great deal at first glance, but when you stop to consider that the larger car can be loaded for the same labor that

the smaller car can be loaded, you begin to see where the advantage lies. You can save a tremendous amount in the course of a year, in labor of handling, by insisting that the railroad company deliver the larger cars to you."

And this is, perhaps, one of the reasons for the success of the Farmers' Cooperative Elevator Company under the management of Mr. Hull. He is a safe, conservative business man, but nevertheless keen and alert to take advantage of every legitimate business opportunity to save money in performing the service for which his company exists. And that is just the sort of management a cooperative marketing agency must have if the fond dreams which we have for them in the world of business are to be realized.

The story of the organization of the Jasper concern is the old, old story marking the birth of full many a farmers' cooperative enterprise. It was organized as a result of the dissatisfaction held by the farmers and grain growers in and around Jasper for the methods pursued by the old line elevator in the town.

"They felt," continued Mr. Hull, "that they were not getting a square deal. This company was paying 30 cents per bushel less than the Kansas City price for wheat, which price was also too low. The Jasper price should have been higher

where the Kansas City price was so low, because we have found that less margin is required for self-protection when the base price is low than when it is high. In fact, where the prices of grain are high you have to have a good wide margin in order to protect yourself against sudden and violent price fluctuations which come when prices are high.

"Well, we organized our company, selling the stock at $25 per share. We had slight difficulty in the organization work because, as I have said, feeling was pretty general around town that we were not getting a square deal. As soon as we opened our doors for business we commenced to pay within 10 cents of the Kansas City price. Instead of making a huge failure of the whole business by this drastic move, we have proved that our original contention was correct and that the old line elevators were taking too large a toll in the margin they claimed to be necessary.

"One man was paid $1.50 per bushel for his wheat by the other concern and the same week he brought us some wheat for which we paid him $1.75 per bushel. The difference in price paid him amounted to a saving of $250 on that one lot of wheat we handled for him. You may be sure that that was an eye-opener for him and for a good many other people in the community."

In addition to the business of handling grain, the bulk of which is wheat, the Farmers' Cooperative Elevator Company handles coal, feeds, cottonseed meal, oil meal, tankage—in short, does a general feed business. A great deal of the feeds are ground in its own mill and various rations are compounded in the mill room for the benefit and advantage of the stockholders and patrons.

Practically since its organization the cooperative concern has been paying annual dividends of 8 per cent. In 1920 the dividends paid on the capital stock amounted to 10 per cent, and in December, 1921, dividends equal to 25 per cent were declared, practically all of which were made out of the undivided profits accumulated in other years. The actual net profit made by the Farmers' Cooperative Elevator Company in 1921 amounted to only $191. But this is not to be sneezed at. For in 1921 full many a grain concern in the middle west dropped its thousands of dollars in the chaotic days following the peak of prices in 1920. The year 1921 was a sad and serious year for grain elevators all over the country. The wonder is that the casualties in this great economic struggle were not greater. In 1919 the profits were $2,938.78; in 1918 they were $2,817.84; in 1917 they were $3,686.02, and in 1916 they amounted to $1,486.48, all of which gives a fair indication of

what 400 stockholders made possible in savings to themselves and patrons, taking no account of the higher price paid for grain on delivery, through the organization of a company of their own. It is all the more remarkable when we stop to consider that it was done on a capitalization of only $15,000, two-thirds of which was invested in equipment.

The Farmers' Cooperative Elevator Association of Hutchinson, Minnesota, is one of the outstanding successes in the local cooperative movement in the state of Minnesota. Hutchinson is located in McLeod county and has a population of around 2,500 people. It is right in the heart of the best farming section of the state and in the most active center of the farmers' cooperative movement in the state. It was at Litchfield, a few miles northwest of Hutchinson that the first farmers' local live stock shipping association was organized in the state. Hutchinson is also the seat of a cooperative creamery which is one of the largest and most successful in the entire country, and down at Glencoe, in the same county, there are a number of successful farmers' cooperative concerns, among them a creamery, a flour mill, an elevator, a shipping association, a bank, and other organizations.

The Hutchinson elevator was first organized about 1904 under the old corporation plan, which made it impossible for a real cooperative concern to find legal existence. It was conducted as a corporation owned and controlled by farmer-stockholders until 1918 when it was reorganized under the then new Minnesota cooperative law which made it possible to pay patronage dividends upon the basis of the business transacted with the association and not upon the basis of the shares or stock held or the capital invested with the concern.

The company is capitalized for $25,000, of which $11,300 had been issued and paid up in 1920. This stock is divided into $25 shares and in 1921 there were close to 500 stockholders and more than 3,000 patrons of the Hutchinson elevator.

"We pay cash on the scales for our grain," said Mr. Walker, the manager, "and that means the market price. The dividends paid are based upon the state law which limits us to 8 per cent and is based upon the net earnings per bushel. For the 1919-1920 season we paid dividends as follows: Three cents per bushel on wheat, rye and corn; and 5 cents per bushel on barley. We also paid 3 per cent dividends on the flour and feed business transacted.

"I believe firmly in the patronage law and believe that all farmers' cooperative concerns should

be organized under this plan. In fact, I don't believe that it is right to operate an elevator for profit. That is not the real purpose for which elevators exist, but such *savings* as are made should be distributed according to the support which the individual has given in building up the business by the patronage furnished and not according to the amount of money invested.

"Although we have competition here in Hutchinson, we practically set the price on everything we handle. Last year our business in flour and feed amounted to $100,000, and two years before we did not sell a dime's worth in these lines, showing the rapid growth that is possible where your people stand behind you. The total volume of our business for the year ending in July, 1920, was $500,000.

"In buying our flour and other supplies for our members we buy nothing from jobbers, but deal direct with the manufacturers at all times. In this way we save as much as possible in the cost. If a farmers' elevator gets lined up with a good flour mill it can get stock in small lots or can get mixed cars, so that a large volume is not necessary in order to induce a good mill to do business with you."

In addition to doing a general grain business, the Hutchinson elevator handles the following

lines of feeds and feedstuffs: bran, flour, coal, salt, red dog flour, flour middlings, standard middlings, low grade flour, oil meal, cottonseed meal, 43 per cent protein, gluten feed, hominy feed, tankage, beef scraps, sugar, coffee, tires, including tubes and casings, graham flour, rye flour, and, in addition, runs an employment bureau for the benefit of members and patrons.

There is, of course, some legitimate objections to be made to the farmers' cooperative enterprises entering too many other fields in their enthusiasm to render the maximum service to the farmers of the community. We have visited many local elevators where it seemed that the real business in hand was to run a general store and feed mill and elevator all combined. Some of these concerns were even handling lead pencils and tablets, shoes and dress goods.

We have said many times that the ultimate hope of success in the farm cooperative movement lays in the direction of performing a service which cannot be performed by existing marketing agencies —in giving the producer a more efficient system of marketing. We do not believe that the farmers' cooperative movement should be used as a club over the heads of any legitimate business enterprise unless there is a sincere belief that the farmers themselves can enter that field and more effi-

ciently perform the service demanded. Unless the farmers can efficiently enter the mercantile field, for instance, we do not deem it wise for them to carry on a sniping program in conjunction with a grain elevator or some other business which, at best, can only cripple private business in a direction where they cannot erect their own business enterprises.

That is not all. The spreading of the capital of the elevator or mill or creamery into these other side-lines tends to weaken the whole structure and make it less likely to render efficient service in the main purpose for which it exists. We believe thoroughly in the principle of cooperation and believe that if rigidly conducted it will afford a greater profit to the producer and at the same time lower the cost of living to the consumer. But no farmer-owned-and-controlled business can afford to run a notion counter. The average farm cooperative concern is short on capital as it is to properly conduct its business, and we believe in keeping the main goal in mind at all times and foregoing the constant temptation of the pennies here and there in side lines.

Of course, there is a difference of opinion on this point and many managers do not agree with the contention advanced; or, frankly admit that they would gladly rid themselves of the "nuis-

ance'' of the side lines but for the fact that the stockholders want it or there is pressure from over-enthusiastic members which cannot be denied. These things will, in the course of time, tend to work themselves out, but this one point has done more to antagonize local merchants and business men against the good faith of the farmers' cooperative enterprises than any other one thing.

The financial statement of the Farmers' Co-operative Elevator Association of Hutchinson, embodied in the report of the public accountant employed to examine the records, is as follows:

"From this report it appears that your net worth or assets are $24,012.63, represented as follows:

Current Assets		
Cash on hand or in bank.....		$ 6,505.37
Liberty bonds		6,000.00
Accounts receivable		8,866.62
Inventory grain on hand and in transit.		21,201.35
		$42,573.34
Fixed Assets		
Elevator property .....$	8,748.25	
Less reserve depreciation	1,167.25	
		$ 7,581.00
Total assets		$50,154.34

Liabilities

Brown Grain Co.	$24,057.91	
Storage grain	2,083.80	
		$26,141.71
Net assets		$24,012.63

"During the year (1919-20) your articles of incorporation were amended so as to put you on a purely cooperative basis and the old capital stock of $3,970.00 has been retired and new stock is being issued and now stands as $11,300.00. In the transfer the old stockholders received dividends of $50.00 cash and $25.00 in stock.

"The results for the present fiscal year indicate a gain of $7,062.98 out of which a patronage dividend of $5,559.01, as well as a reserve for depreciation of $874.82, leaving a net gain of $629.15.

"The surplus account now stands as follows:

Balance July 1, 1919		$28,729.47
Gain for period		629.15
Old stock retired		3,970.00
Dividends to date, stock, cash	$26,175.00	
Reserve 6 per cent dividend	678.00	
Balance as per books	6,475.62	
	$33,328.62	$33,328.62

"In 1918 you paid an income tax of $7,359.16 on the supposed income of 1917, but it appears that

an error was made in arriving at the net income and an application has been filed with the government for a refund of $3,717.52. This has not yet been acted upon by the government and has not been set upon the books.

"The patronage dividend of $5,559.01 referred to was based as follows:

66,583 bushels wheat at 3c	$1,997.49
6,959 bushels barley at 5c	347.95
3,970 bushels corn at 2c	79.40
11,139 bushels rye at 3c	334.17
93,333 bushels flour and feed at 3c	2,800.00
	$5,559.01

"The cash receipts and disbursements involved in the handling of your business runs up close to $500,000.00 and you will appreciate that the keeping of proper records embracing such a volume of business entails a great amount of labor and the results would seem to reflect credit upon your board and their manager, Mr. Walker."

CHAPTER EIGHT

Local Live Stock Shipping

The live stock shipping association was the next link forged in the local farm cooperative movement. It did not come until ten or more years after the local elevator movement got under way; in fact, the first local live stock shipping association organized in Iowa was organized in 1904 and the first in Minnesota came some years later.

The immediate cause prompting the organization of cooperative shipping associations to handle the farmers' live stock was usually a feeling of dissatisfaction with the manner in which the shippers were being treated by the local live stock buyers. First, it was dissatisfaction with the price paid which the farmers did not feel was close enough to the terminal market price; and, then, there later came the feeling that the local buyers were merely agents of the packers and the stockyards interests and were not in sympathy with the farmer and producer. But price levels had the most to do with the launching of the movement.

The live stock producer soon found that his market was subjected to greater price fluctuations than probably any other market for farm prod-

ucts. He saw no way of stabilizing these prices or of increasing the price to be received for his products. It is natural, then, that he should have turned his attention to a consideration of the ways and means whereby the lines between producer and consumer might be materially shortened and a *saving* made to him out of the costs of distribution. The original idea of a local live stock shipping association doubtless had its inception in the example of the local grain elevator. If the grain producers could cooperate in the sale of their product and make such substantial savings, why could not the live stock producers do the same?

In spite of the fact that the local elevator movement antedates the live stock shipping movement, there is slight doubt but that the latter movement is more widely distributed today over the farming sections of the country and in a much more influential position today than the local elevator. By this we mean that local live stock shipping associations are more widely distributed and in greater numbers than local cooperative elevators, if only the true cooperatives are counted. The result has been that the local live stock buyer is practically extinct as a species not only in many localities, but in many states as well.

In Extension Service Bulletin No. 85, issued by the Iowa State College of Agriculture in July,

1921, the following reasons for the organization of local cooperative live stock shipping associations are advanced:

"Two chief benefits are aimed at by live stock producers who organize themselves into cooperative shipping associations.

"1. Such an association enables them to sell their stock for just what it will bring in the terminal or local market centers and to return this purchase price to each shipper, deducting only the unavoidable stockyards charges, selling commissions, freight and local handling expenses. Many of the successful and well managed associations can show that they are handling their stock in this manner on a much narrower spread than ever before and are securing savings of anywhere from 15 cents to perhaps 75 cents a hundred on the average. Some of them claim to be making savings of as much as $2 a hundred, but it is doubtful if the actual gain is as much as this on the average of business done over any considerable period of time, though undoubtedly even greater savings than this are made in individual instances, particularly in the case of animals which are shipped only occasionally and for which there is not a competitive local market, such as veal calves or canner cows.

"Even if the actual saving amounts to only $20 a car, this, on the basis of 50,000 cars shipped cooperatively, would mean a total saving to producers of $1,000,000 annually.

"2. The cooperative association enables producers to combine their small lots of stock into carlot shipment and forward them to market at whatever time suits their convenience. A constant market is provided and most well established associations have regular shipping dates once a week, twice a week, or at such other intervals as are worked out according to the railroad facilities and the amount of stock to be handled."

That the local live stock shipping associations have grown tremendously in number and influence the past few years cannot be denied. In Wisconsin, for instance, the first association was organized in 1908. By 1916 they were doing an annual business of $11,000,000, of which $1,500,000 was a clear saving to the farmer-members due entirely to their cooperative shipping. They have since steadily grown in number and volume of business transacted. In 1920 there were 500 of these shipping associations in Wisconsin alone.

Bulletin 314 of the Wisconsin Agricultural Experiment Station, issued August, 1920, states: "A study of the business done by Wisconsin cooperative shipping associations in 1916 shows that there

were shipped to the central markets and to small industries 11,120 cars at an estimated value of over $11,132,000. This makes an average of 47 carloads of live stock for each association.

"Since 1917 the volume of business handled by cooperative shipping associations has steadily increased. Many commission firms, which at one time were unwilling to handle the cooperative business, with all the extra work of grading, sorting and bookkeeping it entailed, now find that it is paying them to build up and solicit such business. Some firms advertise the fact that they have men who will go out and help to organize shipping associations and put them on a firm, business-like foundation. The general belief prevails at South St. Paul and Chicago that the cooperative shipping has come to stay and is bound to grow in volume."

Unofficial figures coming into the possession of the author in 1919 indicated that the average annual business done by cooperative live stock shipping associations in Minnesota amounted to $500,000. At that time there were 600 shipping associations in Minnesota, indicating that the farmers of the state were doing a business of close to $300,000,000 annually in live stock! It has been said by competent authorities that at least 75 per cent of all of the live stock going to the South St.

Paul market is shipped by local cooperative shipping associations.

The live stock shipping association history of Iowa shows that in 1916 there were only 57 local farmers' organizations, and on January 1, 1921, the number had grown to 610. Since that time the growth has been even more rapid due to the influence and activity of The Iowa Federation of Cooperative Live Stock Shippers.

Some interesting facts are brought out in Bulletin 547 of the U. S. Department of Agriculture, issued in September, 1917, as to the individual characteristics of these shipping associations. While the complexion of local live stock shipping associations has changed quite materially since that time, these figures are interesting and valuable because they give a comparative basis of the status of the live stock associations all over the country. It is stated that the average membership of local live stock shipping associations was 140 members or patrons; that the average volume of business transacted amounted to $98,777 and the average business per member in the organization amounted to $706. While the amounts are low, in view of recent developments in this field of cooperative endeavor, the percentages will doubtless be a fair indication of the worth of the association to the individual member.

The manner in which shipments are handled by the cooperative shipping associations is interestingly set out in the Wisconsin bulletin above mentioned: "Where stock is to be sold separately at the central market it is necessary to identify each owner's shipment. It must be marked so as to be easily distinguished. Many systems have been tried, but the use of shears or clippers seems the most satisfactory except for sheep. In marking sheep, paint or other colored fluid is generally used.

"Weighing the stock at the home station is done mainly to give a reasonable check on the weight reported by the railroad and the commission firm. Payment to the owner is based on the weights at the central market unless there is reason to doubt the returns.

"In case of hogs, and sometimes sheep, instead of depending on marks and separate sales, the load is weighed, sold as a unit and the receipts prorated. This is the better way where there is no appreciable difference in the quality of the stock. Scale sheets are used, showing the number and kind of stock, weights, marks, dockage and the like.

"A contract is entered into between the live stock shipper or shipping association and the

transportation company, supposedly covering all details necessary for mutual protection.

"Resolutions require the shipper to declare the money value of each head of stock shipped. The valuation at present allowed is: for steer, or bull, $75; for cow, $50; for calf, $20; for hog, $15; for sheep, $5. An additional 2 per cent is added to the regular freight rate for each 50 per cent, or fraction thereof, additional value on each head, up to and including $800.

"Live stock contracts are made in duplicate or triplicate according to the road. The shipper receives the original and the freight agent retains the copy from which he makes out the freight bill.

"Reports from 53 shipping associations, located in various sections of the state, show that the average transportation expense, including freight charge, terminal charge, fire insurance and war tax for the year 1918, was $36.52. Allowing for some omissions in the reports received of war tax, insurance and terminal charge, the average would be about $38. For mixed shipments the freight expense is from 10 to 25 per cent higher. Cooperation is the best means of eliminating this needless expense. One good-sized company at a station can do what several competing buyers cannot do in making up car lots of one kind of stock.

"At all great live stock markets there are commission firms or companies which receive the stock, take care of it at the yards, and act as a sales agency in disposing of it to the buyers. Many have felt that the commission charge might be dispensed with and the stock sold by the shipper directly to the buyer, but this plan has many complications, so many that it is hardly likely to be put into practice.

"In the case of cooperative shipments the work of the commission men has been much more important than with ordinary shipments. This is true because of the separate identification and sale of each farmer's stock, and the detailed report required in making the returns. * * *

"In several of the leading markets of the country, farmers' organizations have established commission agencies of their own. The great advantage to be gained from this is the concentration of the business into more economical units, thus effecting a saving.

"After the stock has been sold the local manager receives a draft from the buyer and a full account from the commission firm. In some instances these returns show the amount due each farmer. In other cases the manager has a little figuring to do. Within a week at longest, and usually within four days from the time the stock is

shipped, the individual checks to the farmer are ready.

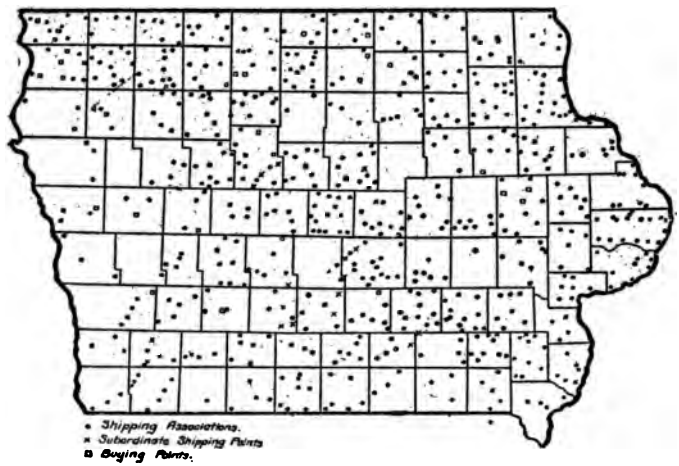
"Returns received from 70 shipping associations relative to the expenses at the terminal market show that for selling, commission, yardage, feed and bedding charges, the average expense is $30 to the car. The range of expense is from $20 to $40 a car.

"Returns received from 70 shipping associations relative to the home expenses show that the average home expense, which includes manager's salary, labor and incidental expenses, and the amount put into the sinking fund, amounts to $25 a car. The general average of expense for shipping associations will range from between $20 and $30 a car, though there are associations whose expenses are greater than $30 a car and some with less than $20.

"Therefore, if we take the total freight expense as $38, the average terminal market expense as $30, and the average home expense as $25, the total average expense of marketing a carload of live stock, based on returns actually received from a large number of shipping associations, is found to be $93. This does not mean that there will not be a great variation from this amount. It is quite probable that the expense of marketing a carload of Wisconsin live stock will range all the way from

$50 to $150, or from 2½ per cent to 7½ per cent of the value of the carload. Shrinkage has not been included as an expense; nevertheless the greater the shrinkage incurred, the less will be the shipper's return."

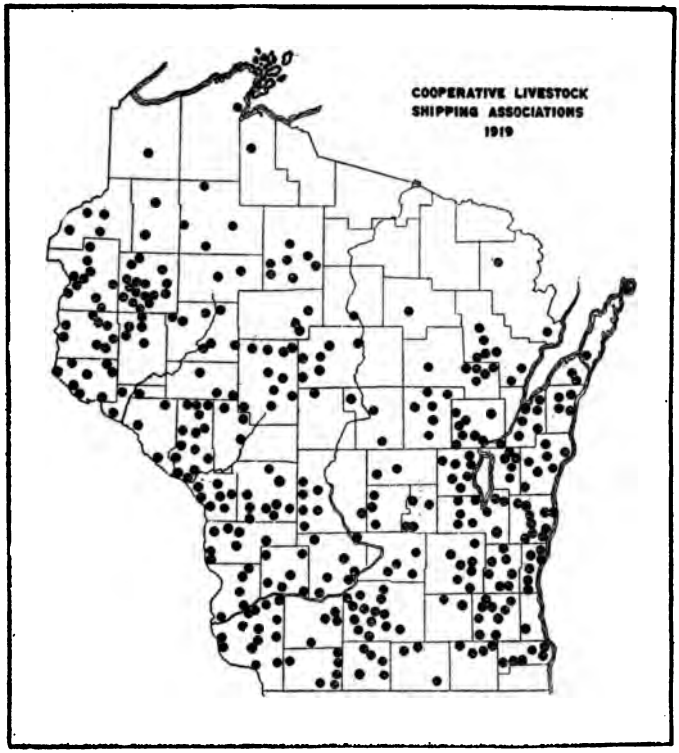
Fig. 11.



COOPERATIVE LIVE STOCK SHIPPING ASSOCIATIONS IN IOWA IN 1920.
—(Iowa) Extension Service Bulletin No. 85.

The advantages coming to the live stock producers who organize a local live stock shipping association cannot be measured alone in the amount of money saved, although that is an important item. While the saving often runs as high as $250 per car and seldom less than $15 per car, one of the chief advantages is that membership in a shipping association acquaints the individual farmer with

Fig. 12.



ABOUT 500 LIVE STOCK SHIPPING ASSOCIATIONS NOW OPERATE IN WISCONSIN.
—Bulletin 314, Wisconsin Experiment Station.

the needs of the market. In this way he soon learns the market grades and classes and governs his production accordingly. In the past, farmers have largely worked in the dark as to the market demands and were often penalized for their efforts.

Another point is that the farmer-members soon learn that it does not pay to over-feed their stock just before shipment. This gains them nothing and results in undue shrinkage and often in the death of individual animals.

Still another point is that the farmers acting as stock shippers eliminate the great expense incurred in personal solicitation for business. The business comes to them without this solicitation as each member is usually bound to ship his stock through the association.

Another great advantage of the local association is that the farmer can ship his stock at such time as he is ready and it is in the best condition. He doesn't have to wait for a buyer to see it.

The farmer will be educated to higher standards of live stock due to the fact that he will be in a position to notice that the better the animals he ships, the better the price received for them.

These are a few of the reasons explaining the local cooperative live stock shipping movement and its growth. It is one of the strongest and safest of all of the local cooperative selling movements and is bound to grow and increase in favor and influence as time goes on.

CHAPTER NINE

Local Dairy Marketing

When the farmer takes up the cooperative idea as a means to an end, he should not lose sight of the fact that he is entering business and will be subject to all of the problems and trials that come to those in business. It means that unless he can, through cooperation, more efficiently handle the particular product than it has ever been handled before, there is small reason for going into business at all.

The Hutchinson Creamery Company, a cooperative creamery at Hutchinson, Minnesota, has passed through all the varying experiences of a farmers' cooperative organization that has pioneered the way. It was organized 27 years ago with a capitalization of $5,000 divided into $25 shares. At the present time there are 90 stockholders and approximately 270 patrons.

The plan of organization is very similar to that found in the ordinary cooperative concern. The stockholders are paid a dividend of 5 per cent and receive no other consideration than that given the patrons by the management. "We aim to pay very little in dividends," said A. Rasmussen, the

manager, "but give the benefit to all in monthly returns. That is more satisfactory to all concerned. Dividends are a small part of the benefits secured by cooperation.

"We have more patrons than stockholders. Many who are not stockholders are the real producers for the company. We do not deem it advisable to pay big dividends, as that would be a drawback to all who are not stockholders. Many of our patrons who are large producers would not be so loyal in aiding us in building up the company if they felt that all the profit they were producing was going into the pockets of someone else. For that reason, I feel that the cooperative which organizes for the sake of dividends, or which pays a large dividend, is really defeating its own larger interests."

The Hutchinson Creamery Company manufactures the highest quality butter made. The entire output of the plant is shipped to Philadelphia where it is retailed by a chain store company. And right here is the most important element in the success of the company, in the opinion of Mr. Rasmussen.

Mr. Rasmussen is a master butter maker. He has taken prizes and won the highest honors at countless fairs and butter-making demonstrations. For years his butter scored highest at the Minne-

sota State Fair and in the Waterloo Dairy Show and other competitions. "In starting a creamery," said Mr. Rasmussen, "the very first thing of importance is to set your stakes for a quality product. Make the best there is, if you seek the highest profit on the market. If you turn out ordinary butter, you are not taking advantage of your fullest opportunity to make your business the most profitable. The range between the best and the poorest butters on the market at the present time is as much as 15 cents per pound. The Hutchinson Creamery Company is now paying 10 cents per pound more for butterfat than the average creamery in the state. The line must be drawn close on your producers in order to make quality butter-making possible, but it is highly important to do it. When you establish a reputation for a superior product and are enabled to pay your producers a higher price for their fat, as we do, they soon learn the wisdom of your course and will cooperate with you to the fullest extent because they know that it pays them to do so."

Volume production on the part of the new creamery, or the old one for that matter, is of slight relative importance in comparison with quality. The city consumer demands a superior product when he comes to buy and he is willing to pay a premium for it to the producer who can

meet his needs. Those who are making the most profit from farm products of all kinds are they who are taking advantage of this tendency. The Hutchinson Creamery Company has recognized this point from the very beginning. It has made progress slowly, being content to make the very best product from the start and then looking to ways to increase volume as reputation of the Hutchinson butter has grown and the demand increased. In 1920, the creamery manufactured and sold 384,000 pounds of butter. In 1921 there was an increase in volume of 35 per cent over the previous year, the volume for that year being expected by Mr. Rasmussen to exceed 500,000 pounds. An indication of the value of turning out a superior product is found in the comparison of the average price paid by the Hutchinson Creamery Company last year for butterfat as with the average price received for butter manufactured by other creameries in Minnesota. The Hutchinson concern paid an average price for butter fat of 67 cents in 1920, while the average price received for manufactured butter by all the other creameries in the state was only 59 cents per pound!

Of course, in the long experience of the Hutchinson Creamery Company it has had its hard knocks and its bitter experiences. There have been times when the future looked none too rosy; times

when private competitors were making a savage drive to accomplish its annihilation through every measure, legitimate and illegitimate, that could be called into use. But through it all it has emerged the better for the experience, largely because of the long-headed quality of its management.

Not so very long ago the company was threatened with ruin because a competitor offered to pay a few cents more per pound for butter fat than the cooperatives felt that they could pay. As a result, a large percentage of the patrons left the cooperative company and delivered their cream to the private concern.

"Not only that," continued Mr. Rasmussen, "but we found that it was impossible for us to increase our volume in order to hold our own because we were unable to take care of the skimmed milk for the producer. We are not located in a hog producing section, as you are down in Iowa, where the skimmed milk or by-product can be utilized to good advantage by the producer himself. We found that the farmers and the dairymen would refuse to add more cows unless they could sell us the whole milk. Our efforts to induce men around Hutchinson to increase their herds in order that we might increase our volume were fruitless. We had to be able to increase our produc-

tion in order to meet the competition of private concerns. It was a life or death proposition with us."

Mr. Rasmussen set to work immediately to find a way to use the skimmed milk in the manufacture of some product that would have a sale and ready demand on city markets. One day he went to the Twin Cities—Minneapolis and St. Paul—and in passing through the market section of the cities noticed that cottage cheese was being sold by a few booths. That gave him an idea. He went back to the creamery in Hutchinson and commenced to experiment with a process for the manufacture of cottage cheese right in the creamery building.

One day he announced to the startled patrons of the creamery that he would in the future buy all of their milk. He offered a liberal price, much better than any private concern in the town could afford to pay, and the result was that henceforth he secured the undivided support of every producer in the vicinity.

This work was started during the war, but he found a market at the Twin Cities for his cottage cheese and the result has been that today the Hutchinson Creamery Company supplies 75 per cent of all of the cottage cheese marketed in those cities. In 1920, he manufactured and sold 300,000

pounds of the cottage cheese. This explains why it was possible to increase the volume of butter manufactured 35 per cent in one year. More cows were brought into the community because he had found a way to utilize the skimmed milk profitably.

"The important thing in a cooperative venture," added Mr. Rasmussen, "is the spirit of the organization back of you. Unless the spirit is good, no matter how hard a man may work, he cannot hope for any great amount of success. Cooperation should be practiced all down the line, and the better the spirit, the more results there are to be secured by everyone interested in the movement.

"Of course, we have the type of men I call the 'one-cent fellows,' who will rush off to the competitors as soon as they offer them one cent per pound more for their product than we can afford to pay; and if there are enough of this type of men in any organization they can wreck it in short order. But the cooperative spirit here is good. The manager of any cooperative concern, however, must keep wide awake at all times and not let the quality of his product go down. That is what wins in the face of foreign competition when you get to the market; the spirit of the crowd will not help you there."

The Hutchinson Creamery Company has succeeded, and is today the institution it is because of the fact that it has rendered the utmost service to its patrons. When it was faced with disaster, it solved the problems of competition at home by finding a way to utilize a by-product which had been unprofitable and unmarketable before. It has built its house on the solid rock of a quality product, and it has never, for an instant, allowed that quality to sag, whatever the temptation.

And, as a result of that business creed, it has made Hutchinson, Minnesota, one of the most prosperous communities in the whole state. It has enabled business in the whole community to go forward and it has made its own creamery the third largest in Minnesota, a state of large cooperative creamery associations.

This detailed experience of one outstanding cooperative creamery will serve to give a view of the mission in life of local dairy marketing associations so far as their own immediate trade communities are concerned. But it is only in the realization of the magnitude of the movement over the chief dairy states that a really comprehensive view of the dairy marketing movement is grasped.

According to A. J. McGuire, university extension specialist of Minnesota, there were in October, 1921, some 600 of these cooperative cream-

eries in Minnesota alone. These 600 farmers' co-operative creameries manufactured 100 million pounds of butter annually, which was 75 per cent of all the butter produced in the state. They paid their patrons an average of 45 cents to 50 cents per pound for butter fat for the month of August, 1921, and the lowest class cooperative creameries paid 35 cents. According to Mr. McGuire, the lowest price paid by the cooperative creameries was comparable to the highest price paid by non-cooperative creameries, or those privately owned.

The average increase in price which the cooperative creameries enable the farmer and dairyman to receive for his butterfat amounts to 10 cents per pound, which means a yearly average of $20 to $25 per cow to the Minnesota producer more than he would receive if there were no cooperatives in the state.

E. B. Heaton, director of dairy marketing for the American Farm Bureau Federation and secretary-treasurer of the Farmers' Dairy Marketing Committee of 11, recently made a tour of Eastern cooperative dairy marketing associations and gave the following interesting review of two locals he visited. We quote Mr. Heaton from a recent news letter issued by the American Farm Bureau Federation:

"We studied two locals of special interest to dairymen. One is the Windham County Cooperative Milk Producers, Inc., at Brattleboro, Vt., and the other is the Producers' Dairy Company at Brocton.

"The Windham County company was organized so that the farmers in that section of Vermont could keep the market which they had as individuals. These farmers had been selling milk to the city of Springfield, Mass., for many years. Theirs is a cooperative corporation with an authorized capital stock of $50,000 divided into 5,000 shares of par value of $10 each. No member of the association can hold shares of a greater par value than 10 per cent of the authorized capital stock, and no member shall be entitled to vote by proxy. A member has only one vote. It is provided in the by-laws that the directors shall annually set aside a reserve fund of 10 per cent of the net profits until the accumulated reserve equals 30 per cent of the paid-up capital. From the net profits remaining the directors shall annually set aside a sinking fund of 10 per cent thereof to be applied upon the mortgage indebtedness until such is paid in full. They then shall pay from the net profits remaining, up to and including 6 per cent of the net paid-up capital stock of the corporation. Any balance remaining shall be apportioned once each

12 months, according to the apportionate value of the products each member has sold to the corporation. These people have at the present time a plant which cost them $60,000, and with machinery costing an additional $25,000. Thirty thousand pounds of milk are taken in daily, 70 per cent of which is shipped as wholesale milk to Springfield and 30 per cent surplus is marketed as sweet cream. The members of this cooperative organization are required to take shares on the basis of $25 per cow of the average number of cows kept in the herd during a year's time. At the present time all but $18,000 worth of stock is paid in full. The average cost of overhead during the first six months of operation was 25 cents per hundred pounds. The milk is sold wholesale to a chain store man in Springfield, who has some 80 stores. Farmers are getting 7 cents per quart f. o. b. cars Springfield, and it costs them about one cent per quart to ship the milk. All members are also members of the New England Milk Producers' Association.

"The Producers' Dairy Company at Brocton, Mass., is a farmers' stock company with cooperative features. They have 81 farmer patrons with 60 holders of common stock and 60 preferred stockholders. The authorized capital is $100,000 with $45,000 worth of common stock sold at the present

time, and $40,000 of preferred. They have an excellent plant costing $115,000. It has a capacity of 15,000 quarts daily. At the present time they are handling 8,000 quarts. The company is retailing milk in the city of Brocton and making ice cream. It is retailing milk at 14 cents a quart, and selling ice cream at $1.45 per gallon. Any additional surplus is sold as sweet and sour milk. Last year the company did a total business of over $300,000. Each stockholder is allowed one share of stock for two 8-gallon cans of milk produced. Last year the company made 110 per cent on the common stock. The organization prorates the profits back to the producers according to the amount of milk produced. A majority of the members are members of the New England Milk Producers' Association, the big New England-wide organization. This local farmers' company is marketing its daily products in a business-like manner and has as a manager a real business man. The company is expending from $100 to $500 per month in paid advertising in the city of Brocton.

"A point of interest in connection with these two successful cooperative farmers' milk organizations is the fact that the manager of each of these organizations is a former county agent."

Farmer-owned local dairy marketing associations are among the oldest of the local cooperative

movements. If they are outranked in point of age by any of the local movements, it is by the local elevator movements. But aside from the question of age, the fact remains that they are among the most common and successful of the local cooperative movements generally. What they have accomplished in the chief dairy states is but an indication of what the cooperative movement will accomplish for other producers, given the same support, the same volume and the same quality of management.

CHAPTER TEN

Local Mills

The most important thing in the farm cooperative movement at the present time is to keep well within the marketing channel. The farmer must build strong and to a purpose and in a closely knit way, if his capital investment is to be wisely used and his cooperative efforts are to serve the largest number. The farmer at the present time should limit his cooperative business associations to the marketing of farm products; he should strive to follow those products up to the very last step before they change their form. There he should stop, as a farmer, for the time being.

The Farmers' and Merchants' Milling Company of Glencoe, Minnesota, is, and is not, an exception to the above rule. In one sense of the term, the farmers have stepped over the reasonable bounds of true cooperative effort as farmers, and have diverted their capital and their energies to activities outside the well-beaten marketing channels. Under the above principle, they should follow their wheat up to the mill door and then cease.

In another sense the Glencoe milling venture is a splendid example of the lengths to which farm-

ers may ultimately go, in the cooperative movement, to render service to the community and in coordinating their efforts. The farmers around Glencoe have demonstrated their acknowledgment of the above principle by not attempting, as a class, to enter the milling business. They have entered the milling business rather as consumers than as farmers and wheat producers. And this is perfectly legitimate, even in the face of the seemingly paradoxical situation at Glencoe. The farmers do not control the mill at Glencoe as farmers. They own it in conjunction with consumers and merchants. It is a strictly community proposition, and the service it renders is to the whole community, not to any particular class.

The history of the Glencoe flour mill is full of interesting situations. It is much the story of the old local mills which gradually ebbed out as the competition of the large millers in the favored milling sections became stronger and more influential. Hardly a small town in the middle west exists that has not had its old mill, which gradually shriveled up for lack of patronage, as the growing of wheat was discontinued and flour was shipped in from the Northwest or the West. The chief difference in the Glencoe mill has been that the farmers in the community immediately surrounding Glencoe were not content to have the

mill close its doors permanently. They felt a need for that mill, and they were willing to take hold of it along cooperative lines and preserve its service to the community.

According to A. Green, manager, the Glencoe mill passed through the usual changes in ownership common to these old mills, and gradually passed from bad to worse. Some five years ago, the farmers who had been unusually successful in various forms of cooperation in Glencoe, determined to take over the business. The "Farmers' and Merchants' Milling Company" was organized along cooperative lines with $75,000 capital stock divided into $50 shares. These shares were sold to farmers and to the merchants of Glencoe.

The plan was strictly cooperative. There was no desire to enter business for profit in the sense that profit is sought by private corporations. A fair rate of interest on the capital invested—5 per cent—is paid and the balance of the earnings are placed in a sinking fund. In June, 1921, when the author visited the mill, after the concern had been in business five years as a cooperatively organized concern, it had 250 stockholders and patrons.

The history of the Glencoe mill reveals that it was never a success until the farmers took hold of it. The failure to succeed was due in part, to lack of capital, to lack of patronage, and to lack of

careful management. Mr. Green was the first manager under the farmers' regime, but dissension soon arose and after he had run the business for awhile, the trouble broke out in a row that threatened to disrupt the entire organization. As a result Mr. Green got out and the management was turned over to another.

Under this management the mill lost $7,000 in one year. The farmers realized that something more than politics was necessary to successfully conduct as intricate a business as milling, so they called Mr. Green back to the management of the business, where he has been ever since.

Sixty per cent of the wheat used in the manufacture of flour by the Glencoe mill is grown by farmers around Glencoe. This is the first great service which the mill provides for the community; it creates a steady year-around market for the farmers' wheat right at his own door, a market which gives him the very highest possible market price for his wheat, because it eliminates the various middlemen's profits. The other 40 per cent of the wheat used is the hard red Montana wheat. This is purchased in Montana in carload lots and is shipped direct to the mill.

Mr. Green was asked whether or not this Montana wheat was purchased from farmers' cooperative concerns in Montana, whether or not they

were following the cooperative idea to its logical conclusion when they came into the market to purchase their supplies.

"No," he replied, "we have made no effort to get in touch with farmers' cooperative elevators or shippers when we buy that wheat. We merely buy where we can find the most favorable price."

The Glencoe mill has a capacity of 125 barrels of flour per day. Practically all of this flour is sold in Glencoe or to merchants along the railroad lines leading out of Glencoe. Mr. Green stated that the majority of it was sold in less than carload lots, indicating that it goes for local consumption within the trade territory of the mill and that the larger advantages and service of the mill are not lost by the sale of its output to large individual buyers.

"The greatest trouble with the cooperative management or organization of business today," said Mr. Green, "is the fact that the average member of such a concern does not have the true cooperative spirit. The stockholders seem to constantly feel that they ought to have special service in the deal; that they ought to be specially favored over the ordinary patrons of the business. It makes it very embarrassing for the manager, and extremely hard to conduct a business along the proper lines where this feeling persists in assert-

ing itself. In a true cooperatively organized business, the stockholder should have no greater consideration, other than the guaranteed interest which he receives on the capital invested in the business. A cooperative business is organized for the benefit of the many, for the benefit of the patrons as well as for the stockholders. Oftentimes the patrons are contributing more than the stockholders to the success of the business in the volume they bring. And if the stockholders are to receive the advantage through small, special service or consideration, the confidence of the patrons in the institution is sure to be shaken. Stockholders should be big and broad enough, and full of the cooperative spirit sufficiently to appreciate this fact. And this holds true regardless of what the particular business they may be trying to conduct along cooperative lines."

This point seems to be the one uppermost in the minds of the managers of the cooperative organizations which we have visited. It will be recalled that in the chapter on Local Dairy Marketing that Mr. A. Rasmussen, manager of the Hutchinson Cooperative Creamery, voiced a similar opinion, and stated that he felt it absolutely necessary to treat all, stockholders and patrons, alike in the proper management of a cooperative creamery.

"The mill is beneficial to the entire community," continued Mr. Green. "People don't seem to realize that they get a dividend every time they come to the mill, whether they bring their wheat or come to buy flour, and that the patrons earn it as well as the stockholders. We have even had some stockholders who refused to cooperate with us, and who feed their wheat to hogs rather than bring it in to the mill, because we have refused to grant them special privileges. But it is best to cut them out, get them out of the organization. They are not true cooperators, do not have the cooperative spirit. We have to treat them all alike."

At the time the author visited the Glencoe mill a new elevator of 25,000 to 30,000 bushel capacity was in process of construction. It is not planned for the storage of wheat so much as it is planned for general shipping purposes and for use in feed milling, which will make it possible for by-products resulting from the milling of flour being utilized to the fullest advantage. This important addition to the service already rendered by the mill was brought about largely because Mr. Green found that many farmers wanted mill feeds, and also due to the mutual desire of all to make the flour milling venture as successful as possible.

This called for the prompt and efficient utilization of all by-products.

From another standpoint, it is doubtful whether or not the elevator is justified as a strong link in the local cooperative chain, for the reason that the farmers of Glencoe already own and operate an elevator just two blocks down the tracks from the flour mill. The erection of this new elevator would seem to call for a duplication of capital expenditure and effort in the same community, and the consequent weakening of the cooperative chain, that was ill-advised.

If elevator services were necessary in connection with the flour mill would it not have been the part of better business to have used the facilities of the elevator down the tracks in every way possible? As it now stands, the farmers seem to be competing with themselves in a fashion that good business judgment would not indicate to be necessary.

The Glencoe mill, however, is a distinct success and one of the very few farmers' mills in the country that has been so favored. This is due to the able management which it has enjoyed through the majority of its existence as a cooperative concern, and to the whole-hearted support which the majority of the community has accorded it. It is but another example where a cooperative concern

has succeeded where a private enterprise had demonstrated an inability to succeed under various managements and over a long period of years.

CHAPTER ELEVEN

Other Local Movements

The local cooperative movement is by no means confined entirely to the marketing of grain, livestock or dairy products, as may be assumed by the average person. It is spreading with great rapidity to practically every product which springs from the soil or which is produced by farmers or ranchers. Its magnitude is staggering. It is confined to no one particular section of the country but extends from Maine to California and from Minnesota to Louisiana.

The local movements in fruit and vegetable marketing are fairly well known to the country at large, particularly the efforts along this line in the Atlantic seabord states and on the Pacific Coast. Our attention will not be directed towards these movements, so far as detailed examination of them is concerned, for the reason that we are primarily interested in the newer and more general movement extending over the entire Middle West, or in the upper Mississippi Valley.

The farm products which are being marketed cooperatively at the present time, in addition to those already discussed, in the Middle West, in-

clude rice, potatoes, cotton, strawberries and other small fruits, vegetables and garden truck, tobacco, pop corn and many others. It will be impossible to consider all of these products in detail, but we will discuss a few of the more common ones in order to give an inkling to the reader of the magnitude of the movement.

STRAWBERRIES

Cooperation in marketing among agricultural producers is often taken to be something distinctly new, so new in fact that it is difficult to form an accurate estimate of results. It is not often possible to estimate the work and achievements of a farmers' cooperative organization which has been in existence for a full generation and to witness the amazing results which it has accomplished through steady progress for the community. It is likewise very seldom, indeed, that one can consider the effect of such cooperative marketing upon a community where such cooperative effort has dominated the whole life of the community to the extent of the one we have in mind.

Not long ago we found such a cooperative enterprise at Sarcoxie, in Jasper county, down in the heart of the Missouri strawberry country. Strawberries form the very backbone of the prosperity of the community. Everyone in the vicinity thinks, talks, acts, dreams about strawberries.

One has to be in the community but a few minutes to discover this fact. Strawberries form the favorite topic of discussion of those who drop into the banks, the grocery stores, or who congregate on the street corners. Everywhere, in season or out of season, you can stop the first man you meet, ask him a question about strawberries and his face will light up and he can give you a multitude of facts on the subject.

There is just one other subject which holds as much importance in the minds of the people of the community as the strawberry does, and that is cooperative marketing. The Sarcoxie grower is a firm believer in the principle of cooperation in marketing; in fact, the majority of them have been "raised" with a belief in the principle of cooperation in marketing. The main shipping association there was organized more than thirty years ago along the strictest lines and it has continued to serve the needs of the growers throughout all the intervening years, in good years and in bad years.

What has this association done for Sarcoxie? In the first place, it has enabled the growers to secure the maximum profit for their crop year after year. It has enabled the Sarcoxie association, which is an "independent" organization, to secure a better price for the Sarcoxie berries

ranging from 15 cents to 25 cents per crate average each year over what other cooperative associations operating over the whole Missouri fruit and strawberry country have been able to obtain for their producers.

But, to our mind, the most important thing which this cooperative association has obtained at Sarcoxie is the fact that it has made a new development of the country around Sarcoxie possible. It has fostered and made profitable the reclamation and clearing of new land each year and the association has expanded and grown along with the strawberry industry.

Starting as an insignificant side line the association has made the strawberry business the chief aim and purpose of the territory it serves. It has made a large amount of money for practically every member, considerably more than they could have made from their land with any other crop. It has fed the town and community life-giving prosperity, a steady stream of foreign cash every season. This is reflected in an increased standard of living for the members and their families and better educational advantages and community privileges for everyone.

Small fruits have long been deemed profitable by many farmers who had land suitable for their production, but the first thought that interferes

with carrying the program into execution is the matter of pickers at the proper time to get the crop to market in good season.

"How do you handle the labor problem?" we asked a member of the Sarcoxie Horticultural Association. "How do you manage to secure enough pickers at the proper time to take care of the needs of everyone?"

"Well," he answered, "You have got to have pickers and plenty of them. At the height of the season we have from 6,000 to 7,000 pickers in town in addition to the people who live here." Sarcoxie has a population of slightly more than 1,000 people. "We are up on the edge of the strawberry section, which starts down in Texas. There are thousands of people who make it a business to follow the strawberry season and they work north with it. All we have ever had to do was to run advertisements in the papers in towns around us telling how many pickers we could accommodate and when we wanted them, and they would come pouring into town on the trains. Most of them are ordinary hoboes, but they make very good pickers. During the war they sent us college girls and boy scouts under the care of teachers and others. The people furnished them tents in which to live and they made the very best pickers we have ever had."

Last year the growers paid the pickers three cents per quart for their work. It is interesting to comment here upon the method which the Sarcoxie growers have adopted for handling the payment of the pickers. All the business of the association is handled through the Bank of Sarcoxie. It requires a tremendous sum of money to finance the operation of the growers and the bank does this by a simple plan which might be adopted by other cooperatives in other sections of the country where it is necessary to do business on a cash basis. The Bank of Sarcoxie has issued a special coinage of three coins which are used in paying the pickers. One coin is paid for picking a quart of berries and is about the size of an ordinary five-cent piece; another which is paid for picking one tray of berries (one-fourth crate) is about the size of a twenty-five-cent piece, and another, the size of a dollar, is paid for picking one crate. On the reverse side of the coins is simply a large strawberry; on the obverse side one finds the inscription: "Bank of Sarcoxie. One crate" for the large coin and corresponding inscriptions for the smaller coins. These three coins are used to finance the entire business of picking the crop and greatly facilitate the work of making change. They are redeemable for cash or trade at any bank or store in town. They make it unnecessary for

any grower to use any cash at all to pay the pickers.

Before the season starts the members of the association hold a meeting and determine the price which they will pay for picking that season. The price per crate to be paid, then becomes the redeemable value of these coins for that season. They likewise determine how many coins they will require, or how much money it will take to pay for the cost of picking the crop. The association then signs a note at the bank for the money thus necessary to finance the crop and the bank "pays" the growers the money in the form of the coins mentioned above. As soon as the growers have marketed their crop they settle with the bank. The bank charges no interest on the coins extant, but merely for the length of time the growers are utilizing the credit extended on the note.

The Sarcoxie Horticultural Association has a membership of more than 200 growers living in and around Sarcoxie. It is strictly a cooperative enterprise. All that is necessary for a grower to become a member is for him to pay the membership fee of $1. The association owns a shipping shed along the Frisco tracks and hires the necessary help for the purpose of packing the fruit delivered at the shipping shed into the cars. Very often extra shifts are required and men are busy

all night loading the cars, according to one of the members. This man stated that one day a few seasons ago the association shipped out 35 carloads of strawberries. "We kept a Frisco engine busy switching the cars one whole night," he said.

Nineteen twenty-one, which was a poor season for strawberries, due to late frosts, the Sarcoxie association shipped a total of 80 cars of strawberries. This was about one-third of the average crop produced in the vicinity.

The average value of the land around Sarcoxie upon which these strawberries are produced was placed at around $75 per acre by disinterested parties, although it is hard to find people in Sarcoxie who are not interested in the strawberry business. A. B. Cox, the Frisco station agent, has close to 40 acres of strawberries "on the side" and practically every business man in town has a few acres of strawberries or is in partnership with a grower. The whole community is tied up to the crop in an amazing way, demonstrating the supreme faith which everyone has in the chief enterprise of the community.

"The average yield of strawberries around Sarcoxie in a good season is from 150 to 200 crates per acre," another grower told us. "Much depends, of course, upon the attention which is given the crop and upon the season. Last spring (1921)

the late frost interfered with the crop and we produced only an average of about one-third of a crop. During 1921, however, the association received an average of $4.15 per crate for the berries shipped. During the war we received as high as $6 per crate."

It must be manifest to everyone who has ever had a patch of strawberries in a corner of the garden that a tremendous amount of labor is involved in producing strawberries. The labor cost for a large plantation then becomes an enormous problem for the large-scale grower. "What," we asked a Sarcoxie grower, "is the average labor cost for an acre of strawberries per year?"

"That," he answered, smiling, "is a question I was discussing with Mr. Gaugler, manager of our association, the other night. We finally came to the conclusion that it costs an average of $100 per year per acre to produce the crop, irrespective of crating and handling after picking. It merely covers the cost of producing the crop from the time of setting out the plants through the picking of the berries. It runs high because strawberries demand a lot of attention."

During the season the Sarcoxie association employs its own sales agent, who contracts for the entire crop and then sells it to the best advantage wherever he may. Most of the crop produced at

Sarcoxie is sold within the state of Missouri, but it all depends upon market conditions.

The Sarcoxie growers are firm believers in mulching their berries and this is done in the fall about the time of the first hard, severe weather. It costs considerably more to do this, but they are confident that it pays in the long run. This is only one of the many points which their association has developed along an educational line, through the policy of cooperating in experience and methods of culture, as well as in methods of packing, crating and marketing.

The main consideration has been the success of the Sarcoxie growers in their cooperative selling. Each member is given a number with which he is compelled to label every crate that he delivers to the association for shipment. If there are any losses, that number is reported back to the association by the buyer and the loss charged against the grower represented by the number. Losses are, however, an infrequent occurrence.

All amounts due the grower are likewise computed through the use of these numbers, records of which are kept by the secretary of the association. Everything possible has been done to simplify records and the work of financing operations. The coin idea for paying pickers is an example of one of the things done along this line.

EGG MARKETING ASSOCIATIONS

There are few communities in the Middle West where poultry farming has been developed to such an extent that local egg marketing associations can be maintained, as separate businesses. But there is hardly a community where the cooperative idea has been developed to any extent that does not boast of an egg marketing association affiliated with some of the other cooperative concerns. Usually it will be found as a side-line in the local creamery; oftentimes it is managed by the local cooperative stores or elevators.

But there are thousands of private egg dealers and packers in small towns all over the Middle West who are enabled to earn a living from the volume of eggs and poultry products produced by the farmers in their community. If these individuals can survive, it is reasonable to state that cooperative egg marketing associations could be profitably organized in many communities where they are now unknown.

One of the surest advantages of the local egg marketing association is the better price which it obtains for market eggs for its patrons, and for the marked increase in quality which it immediately fosters among its membership due to the self-education it makes possible as soon as the patrons have an opportunity to find out what the

market grades are, what the market pays a premium for, and how to obtain it. The private dealers have never taken any considerable pains to impart this knowledge to their patrons because they could buy eggs at a general price level, re-grade them and earn the additional premium on the better grades themselves.

But progress is being made along this line. Notable among the local egg marketing associations over the country is the one operated in connection with the cooperative creamery at Glencoe, Minnesota; the one operated by the Carleton County Creamery at Barnum, Minnesota, and the Orange Township Cooperative Marketing Association of Black Hawk County, Iowa.

The latter association shows what can be accomplished right at home through the power of organized effort. The association grew out of a mutual understanding between a Waterloo grocer by the name of Sinnard, and 46 farmers who live near Waterloo, Iowa. Mr. Sinnard, on his part, was anxious to eliminate the huge egg losses which every grocer suffers; the farmers, on their part, were anxious to receive the better price for their eggs.

The plan Mr. Sinnard proposed was very simple. He proposed that each farmer keep only pure-bred stock of a recognized breed. It made

no difference to him whether the hens laid white shelled eggs or brown, so long as each farmer kept only one kind.

The hens were to be rigidly culled each season, so that only the good layers would be kept through the winter. Sinnard felt that good producers in the hen house meant better satisfied farmers and more eggs for him to sell. The hens were to be fed balanced rations and were to be housed under sanitary conditions in a certain type house proposed by Sinnard. All eggs were to be marketed at least once each week in summer, and at least once every two weeks in winter. They were to be packed in uniform cartons holding one dozen each and were to be sealed at the farm. Upon delivery at his store Sinnard agreed to pay four cents cash above market price for them.

Forty-six farmers living near Waterloo signed an agreement with Sinnard to abide by these rules. And Sinnard is unable to supply the demand for eggs, even though he takes the entire production of each of these farmers.

As an indication of the number of eggs he is buying, he showed me the ledger entries for Cal Peck, one of the members of the association, whom Mr. Sinnard stated to be only an average producer. The year previous, Mr. Peck had sold Mr. Sinnard an average of 140 dozen eggs per month

throughout the year. This indicates that the Waterloo grocer handled an average of something like 77,280 dozen eggs that year, and his volume is constantly increasing as the farmers increase and add to their flocks of hens.

"It is only a plan to cooperate with the producer," Mr. Sinnard said. "By getting our heads together we both saved and made money. The farmers appreciate that when they took slip-shod care of their eggs that the grocer lost money and they got a lower price for their eggs. Getting a better understanding between ourselves was all that was necessary to solve the riddle."

The Carleton County Creamery Company at Barnum, Minnesota, illustrates the practical application of many cooperative principles to the marketing of eggs. The company is not cooperatively owned, but every feature of its success is grounded in cooperative action on the part of the producers and Mr. H. C. Hanson, the owner. Mr. Hanson is the man who first had the vision of "cows and chickens" as a solution of the cut-over country problem when the lumbering business gave out. He constantly advocated cows and poultry, particularly the latter, until he became the joke of the town. But gradually his efforts began to bear fruit.

Hugo Anderson, a lumberjack, came back to Barnum, his old home, and went into the poultry business on a large scale—and finally succeeded! Today he is the "king" of the Barnum community, a poultry center that ranks next to Petaluma, California, in the number of eggs produced annually in one community in this country.

The chief feature of the Barnum success is found in the measures taken to secure uniformity in the eggs marketed, and the fact that every egg shipped through the Carleton Creamery is packed in cartons containing the Barnum egg trade name. Each producer is supplied with a number which must be stamped upon each egg.

The carton contains this inscription: "Guaranteed fresh eggs put up for Carleton County Creamery Company, Barnum, Minnesota." And this is the guarantee: "Note. Eggs in this package, if they have our trade mark, are guaranteed to be strictly fresh, clean and full-size, and if ever found otherwise we wish you would do us the favor to report it, giving the number found on the eggs. Signed, Carleton County Creamery Company."

That it pays to market eggs under one trade name was forcibly demonstrated to the author by Mr. Hanson when the former visited Barnum. Mr. Hanson went into a back room and came back

with a sheet of wrapping paper which he proudly displayed.

"I am keeping this as a sort of a souvenir," he said, "and I show it to the boys when they come in and I tell them how proud they ought to be of what they are doing."

On this piece of wrapping paper, was the following, written in pencil scrawl: "Barnum eggs, 90 cents. Wisconsin eggs, 63 cents."

"The paper came back to us in an empty egg case which was returned last week," smiled Mr. Hanson. "It is evident that the grocer made up this price, and that the piece of paper fell into the egg case by mistake. At any rate, it gives us a line on what our eggs are retailing for in comparison with other farm eggs. The week this shipment was made, I paid my customers 68 cents a dozen for their eggs, or five cents per dozen more than the farm eggs of Wisconsin were bringing at retail in Duluth! Which is ample proof in itself that it pays to produce a superior product and then pack your eggs in a distinctive carton, and market them in unison under the same trade name."

In 1919, the Carleton County Creamery Company paid out over $60,000 for eggs to the farmers and poultrymen around Barnum, and it did not handle all of the eggs shipped because one or two

of the largest producers shipped over their own farm names. In 1920, the Glencoe creamery shipped over $85,000 worth of eggs, giving a fair example of what small communities may do with a comparatively small "side-line" so far as cooperative ventures are concerned.

POTATO MARKETING

Potatoes are one of the many specialized farm crops which have been organized into a "commodity group" through cooperative organizations, both local and federated, for the more economical marketing possible. The two outstanding states in the potato marketing movement in the Middle West are Michigan and Minnesota. In Michigan, the Michigan Potato Growers' Exchange is the state-wide federation of local potato marketing associations, and the Minnesota Potato Exchange stands in a similar relation to the local potato marketing associations in that state.

The growth of the cooperative potato marketing movement in Minnesota dates back to 1908 when the first association was organized. The movement made slight headway until 1919 when 28 associations were organized, following two disastrous years in the potato business. The plan of operation had not been worked out successfully when these associations were launched and they were engaged in the doubtful pursuit of experi-

menting as to the best business plan when, in January, 1920, the Minnesota Potato Exchange was organized, frankly patterned after the Michigan Potato Growers' Exchange, and for the avowed purpose of standardizing the business plan for all of the associations, in the hope that such standardization would result in success. While it is too early to state definitely whether or not this hope will be realized, some real substantial progress has been and is being made, as will be noted in the chapter devoted to the Minnesota Potato Exchange later in this book.

By the close of 1920, there were 122 local associations in Minnesota scattered through the central and northern portions of the state, as revealed in the accompanying map. During 1921 a number of associations were organized and close to 100 of them were affiliated with the Minnesota Potato Exchange.

Of the 1920 crop, 22.6 per cent was handled cooperatively by the various associations in the state active that year. We quote from Minnesota Bulletin 195, "Local Cooperative Potato Marketing in Minnesota": "The 22.6 per cent of the 1920 crop handled cooperatively is to be compared with the 38.9 per cent of the Minnesota grain crop handled by 390 cooperative elevators, with about 65 per cent of the live stock shipped to South St.

Paul by 650 live stock shipping associations, and with the 63.8 per cent of the butter made by 622 cooperative creameries. Obviously, if the present cooperative potato-marketing methods prove adequate, or if adequate methods are ever developed, the cooperative movement is bound still further to expand in this field."

A more extended view of cooperative potato marketing is contained in Chapter XV on "The Minnesota Potato Exchange."

PART III

THE FEDERATION MOVEMENT

CHAPTER TWELVE

The Minnesota Idea

Today Minnesota stands at the very forefront of the cooperative movement in the United States. There are more than 3,000 local cooperative associations in the state which are farmer-owned and farmer-controlled. Of this number, more than 2,000 are strict business associations, aiding the farmer in the marketing of his products or in the buying of supplies that are necessary in carrying on his work.

Iowa stands very close to Minnesota in the number of associations organized and according to statistics issued by the United States Department of Agriculture in 1919, ranked second, but in many respects Minnesota is far in the lead. This is due to the fact that she has been in a position to coordinate the work of her local shipping associations into strong groups, to avail herself of more extended experience in various phases of the cooperative movement and to plug up the weak spots, and to take the second step in cooperation; namely, the establishment of terminal marketing agencies and centralized sales forces.

Hon. Hugh J. Hughes, commissioner of markets of Minnesota, and a cooperator of national repute, has had a great deal to do with the present movement in Minnesota. Mr. Hughes has been quick to sense the dangers of the cooperative movement, as well as the dangers which beset it, and he has performed the greatest possible service to the movement in pointing out these dangers, particularly the weak spots, and in lending his influence toward welding the cooperative chain in Minnesota into a stronger weapon to serve the farmers.

"The tendency in Minnesota," said Mr. Hughes, "is to form food groups among the cooperatives. Speaking locally, that means that we are coordinating our local associations in Minnesota into five major commodity groups: live stock, grain, wool, creameries and potatoes. We have already perfected the group in the case of potatoes. This was done in January, 1920, when the Minnesota Potato Exchange was organized by 100 local potato shipping associations. The exchange acts as a central selling agency for all of these local associations selling their entire output and avoiding duplication of effort and competition between the various associations when they come to market. The crop is handled in an orderly manner at a minimum of expense and effort and the Exchange has been

most successful during its first year of business, despite the unfavorable season and conditions obtaining last year."

Since our discussion with Mr. Hughes the live stock group has also been perfected in the Central Cooperative Live Stock Commission operating at South St. Paul stockyards and which, during the first six months of its existence saved the shippers $40,000 in commissions which it turned back to them.

The creamery group, which represents the oldest commodity group in the state, is in process of organization. The creamery contracts between the local creameries and the state exchange, according to Mr. Hughes, will follow closely the California Fruit Growers' Association contracts, which have proved so successful on the Pacific Coast, which means that it will offer a complete commodity service to members.

The grain movement will largely depend upon the United States Grain Growers, Inc., and no plans for a state organization have been formulated. And unless the national grain movement fails to achieve the result expected, no such movement is likely to result in Minnesota. No attempt is being made at the present time to form a central wool marketing agency for the reason that Minnesota does not produce sufficient wool to insure suc-

cess, less than 500,000 pounds being the normal production.

"The time has largely passed for the organization of local cooperative associations in these groups in Minnesota," added Mr. Hughes. "We feel that if the cooperative movement is to be made as strong as it can be and should be, that the effort just now should be directed along the line of perfecting the state and national movements. Such locals as are organized should be started merely as incidental to the state or national movement, and only in such instances where they can be distinct assets in making the state or national movements stronger. There will be nothing gained, in the long run, in the organization of vast numbers of weak locals in communities not in a position to properly support them. It would be better for these communities to centralize their efforts into one strong local, both from the standpoint of individual success and success for the major movement."

Mr. Hughes is very enthusiastic in his outlook for the future success of the cooperative movement. "The time is coming within the next three years, when any farmer in Minnesota can sell anything he produces through his own cooperative association. When that time comes the first step in the cooperative movement will be completed.

"The next step, as I see it, will be the organization, on the part of consumers, of stores and warehouses for the purpose of cutting out such additional unnecessary expense in the handling of food products as may be possible. I expect to see the cooperative movement developed in the United States to a point, at least, comparable with its development in the British Isles where the consumers own their own stores, warehouses and manufacturing plants.

"The farmer should follow his product, in the processes of marketing, up to the very last step before it changes its form. Beyond that point he should not go, as a farmer. As a member of the consumer class, he might properly participate in the formation of cooperative mills, stores and wholesale houses, but at the present time I do not consider that he is in a position, either financially or as a matter of good business, to follow his products beyond that point, if he gets into the manufacturing end of the game, he must, of necessity, become banker for the consumers, and I consider it dangerous to the success of the strict farmers' cooperative enterprises to encourage anything else at the present time. That phase of the problem properly belongs to the consumer class.

"Consider the Twin Cities for a moment. There are at the present time 3,500 stores handling food products in the Twin Cities, big, small and puny. This is an average of one store for every 200 people—one store for every 40 wage earners. Think of the tremendous waste in overhead and of the tremendous cost which the consumers must pay in increased price for their food products! There is no economic reason why such a wastage should be tolerated, and I do not feel that the day is far distant when the consumers will take up the cooperative idea as their only form of economic salvation. When that time comes, then we shall have, for the first hour in our economic history, an economical and efficient system of distribution of food products.

"Our problem in Minnesota is to find a market for our products, for we produce four times as much as we consume. We have to find a market for this surplus. Our producing centers in this country are now farther away from our markets than New Zealand or South America are from their markets (Western Europe). The cooperative idea has solved only one of the problems incidental to the marketing of our products, but it cannot succeed in the face of the present transportation rates.

"We must open the Mississippi and St. Lawrence rivers; we must bring out here to the Middle West the consumers and the manufacturers, so that they will be closer to the source of production. All these are things that can come if the farmers and the consumers join hands in working out the cooperative idea to its logical and ultimate aim.

"I see in the cooperative movement, judging from our experience here in Minnesota, an opportunity to bring town and country together. The interest of the two is the same and they must come together. The back-to-the-farm movement is absurd because the farmers are producing at a loss right now. Do you know that we in the Middle West produce six times as much as middle Europe and three times as much as the British farmer and measurably more than the New England farmer?"

When asked whether he thought the cooperative movement should, in view of the Minnesota experience, be confined to state organizations, Mr. Hughes stated: "The movement should not be organized on strict state lines. You might then have the various states competing with each other when they came to market with their products. It would be wise, whenever possible, to tie up in a national movement. Wisconsin and Minnesota

cheese factories are now cooperating in their shipments. North Dakota is linked up with our potato movement. Of course, there are some products which cannot be tied up in a national movement and potatoes happen to be one of them."

The market for potatoes is regional, being largely within the region or close to it, where the potatoes are produced. With the single exception of the exchange of seed potatoes, there is no movement of potatoes from one potato region to another.

"There has been altogether too much of this 'milk and water' stuff concerning cooperation," continued Mr. Hughes. "Some day we shall all get together and solve this marketing problem, but we must not paint the skies too rosy a hue. The farmer has been cursed by the professional promoter. The farmer has organized in communities where he had no business trying to organize. They lack the volume, the spirit or the ability to cooperate. But where the farmer has the capacity and the proper spirit he can cooperate successfully.

"The effort back of the whole movement is simply to turn the tables on the buyer so that he must bid up to the full market value of the products produced by the farmer. And if the farmers will stand behind the cooperative movement with

the true cooperative spirit and the proper outlook upon the movement, they can accomplish this very purpose."

CHAPTER THIRTEEN

The Equity Cooperative Exchange

One of the pioneers in the federation movement as applied to the larger farm cooperative movement was the Equity Cooperative Exchange, which had its inception in North Dakota in 1908, when the farmers of that state became dissatisfied with the price they were paid for their wheat at their chief terminal market, Minneapolis. They came to the conclusion, as a result of the experience suffered that year, that the local cooperative elevator was not enough in the direction of cooperation, to secure any substantial protection for themselves against the abuses from which they suffered when they came into the markets with their products.

The local cooperative elevator was but one step in the right direction for by it they merely eliminated one middleman, the local grain dealer. When they came to ship their grain to the terminal markets they found that they were still handicapped, and actually were suffering more from the abuses of their adversaries at these terminal markets than they had ever suffered at the hands of their local adversaries.

They felt that they could establish their own terminal marketing agencies themselves and thereby secure a fair price for their products, just as they had already demonstrated to be possible locally. Accordingly, the fight was started in 1908 and it was a bitter struggle for many years. Every party at interest, every power which could be brought to play at the terminal markets where they sought to do business, was brought to bear upon them. It should be kept in mind by the reader that this was in the days before any cooperative laws had been passed in the sense they are now known, and before any regulatory legislation had been adopted by Congress preventing discrimination against cooperatively owned and controlled business associations.

But after eight years of the most terrific kind of opposition and struggle, opposition from without and struggle from within the organization, the Equity Cooperative Exchange was on its feet with a paid-up capital of more than $1,560,000, owning 80 country elevators and a large terminal elevator at St. Paul with a capacity of 550,000 bushels of grain.

According to E. G. Horst, the Equity Cooperative Exchange carried on as follows: "Having learned the value of cooperation in the marketing of grain without the intervention of a host of mid-

dlemen and speculators, farmer members of the Equity Cooperative Exchange placed faith in the ability of their organization to serve them in the live stock trade as well. They saw no good reason why they could not sell their live stock through similar channels by establishing their own selling agency on the terminal market. Consequently plans were made, an organization perfected with an office, a sales force and an allotment of pens at the South St. Paul stockyards were secured. October 1, 1916, marked the first business day of the organization on that market, and during the first month 107 cars of live stock were received, and during the second, November, the number was increased to 141.

"Opposition was met, as was expected, from the commission men and speculators already established there. Drastic rules were drawn up by the Live Stock Exchange and heavy penalties were imposed on any of its members who dealt in any way whatsoever with the new farmer company. They were determined to smash the cooperative movement in its infancy, but the loyalty and determination of its members formed a bulwark that could not be broken down. The excellent service given in the sale of fat and stocker and feeder live stock, and, in the case of stockers and feeders especially, the savings made in only

the one handling in the route from the producer to the farmer buyer, proved to its members and to many others that cooperative marketing on the terminal market was possible as well as profitable.

"In the brief period of its existence the Equity Cooperative Exchange grew from the smallest to the next largest commission firm on the South St. Paul market. At the present rate of growth there is no question that this farmers' selling organization will be the leading firm at that point by the end of the current year (1921)."*

During June, 1921, the author visited the Equity Cooperative Exchange Live Stock Commission at South St. Paul and learned at first hand from Mr. F. B. Wood, managing director, and Mr. Fred Osborne, then resident manager, the story of the early struggle of the Equity which is claimed by many people to have been the first cooperative live stock commission operating at a terminal market in this country.

"Our live stock commission is organized for the purpose of saving the speculator's profit," said Mr. Wood. "Take an experience which the Hon. U. L. Burdick, formerly president of the North Dakota Farm Bureau Federation and now connected with the United States Grain Growers, Inc., at Chicago. Mr. Burdick shipped 130 steers to

* E. G. Horst, Dearborn Independent, Sept. 24, 1921.

the South St. Paul yards where he was paid $6.75 per hundred for them. The speculator to whom he sold the steers resold them within a few hours to an Iowa farmer—they were feeder cattle—for $8 per hundred. The difference amounted to more than $2,000 cash!

"If Mr. Burdick had shipped his steers to the Equity Cooperative Live Stock Commission he would have received $1,000 more for them than he did and the Iowa farmer, on the other hand, would have saved $1,000 on the cost. But the Burdick case is not the only one where such an organization as ours can serve the farmer who has live stock to market. Take the case of George McIntyre of Castleton, North Dakota. Mr. McIntyre shipped two carloads of cattle to the yards here and was bid only six cents on them. The next day we sold his cattle for 6.85 cents, which amounted to more than $400 extra return on the two cars of cattle!"

During 1921 the business of the Equity commission increased 40 per cent while the entire business of the yards for the same period decreased 15 per cent. And this increase has been gradual from year to year. The Equity Cooperative Exchange Live Stock Commission is proof of the fact that the growth of a cooperative organization, whatever its purpose, is slow and cumulative. No

sane business man would want it otherwise. If in charge of trained men in the business, who are above reproach personally, there is no reason why the farmer cannot place such an organization anywhere with entire confidence as to the future.

The plan of organization of the Equity Cooperative Exchange is very simple. It was originally capitalized for $1,000,000 but this was raised to $9,000,000 at the annual meeting in January, 1920. The shares were divided into par value of $50 each, but these are now selling at $60, or $10 above par, due to the surplus and equipment which has been accumulated. Dividends are payable at the rate of 8 per cent per annum on the capital stock, and all profits are paid out in a patronage dividend to the patrons on the basis of the business furnished the Exchange during the year. No one member may hold more than 20 shares of capital stock, according to the articles of incorporation and no member may have more than one vote regardless of the number of shares owned.

Up to July 31, 1919, the Equity Cooperative Exchange had paid in dividends $64.00 for every $100 invested in capital stock at the time of the organization of the Exchange. This had nothing to do with the amount of patronage dividends paid out, but referred only to the 8 per cent dividends paid on the stock. These dividends are cumula-

tive and the payment made in the year ending July 31, 1919, amounted to $38,883.26.

On the grain market the Equity Cooperative Exchange acts as any other commission firm would in transacting its business. It does not belong to the Chamber of Commerce, but is affiliated with the St. Paul Grain Exchange, an association of grain dealers and commission men in St. Paul organized for the purpose of establishing and maintaining an open market in that city. This Grain Exchange places no restrictions against dealing with cooperative companies and maintains no combinations in regard to prices, but stands for an open market.

The 550,000 bushel terminal elevator which the Equity Cooperative Exchange owns at St. Paul is fully equipped to render complete selling service to the grain shipper, is of fireproof construction, equipped with two sets of scales, cleaning machinery, 54 separate bins and a loading in-and-out capacity of 8,000 bushels per hour, and its chain of line elevators in the grain producing centers has an additional storage capacity of 2,000,000 bushels. It also has elevator facilities at Superior, Wisconsin.

Taken as a whole, it is one of the pioneer movements in the cooperative tendency among producers and farmers which has splendid promise.

Its struggles in its earlier days were terrific but it managed to pull through because there were sufficient loyal members in its ranks to stand by their guns. Perhaps they were driven to exhibit this fierce loyalty by the very character of the opposition. The Equity has many enemies, even among professed friends of the cooperative movement, but so far it has continued to function in spite of this opposition.

CHAPTER FOURTEEN

The Minnesota Potato Exchange

The potato, with the single exception of wheat, is the most important crop for human consumption taken from the soil. The per capita consumption of potatoes year in and year out is greater than for any other crop, except wheat. We consume on our tables one million bushels of potatoes every day in the year, and in comparatively "lean years." This amounts to 1,429 full carloads on the present basis of 700 bushels to the carload.

In spite of the consistent and constant demand for potatoes, there is no article of food which we produce which indulges in the wide fluctuations in price from season to season that potatoes do. In 1919 at the peak of the season, they achieved the unheard of price of seven dollars per bushel and within six months had fallen to a little more than a dollar a bushel. One year we paid nine dollars for seed and the next year we paid eighty cents per bushel for better seed. And so it has gone on throughout the years.

Well might the question be raised as to why all this erratic fluctuation in price by the lowly spud? One year the grower makes a good profit and the

next year it is all wiped out. Some years the crop is not dug, as in the fall of 1919 in many sections, because the price will not bring enough to pay for the labor of digging. Yet the world needs potatoes and needs them badly.

The trouble lies in just two things: A variation in production, haphazard marketing and speculation. The spud has ever been the darling of the speculator. As many fortunes have been made and lost in speculation on potatoes as on almost any other food crop. The speculators merely take advantage of the weakness of our present marketing system, and the plan they operate under is extremely simple. The grower is privileged to use it to his own advantage, just as the Minnesota growers are doing this year for the first time in history.

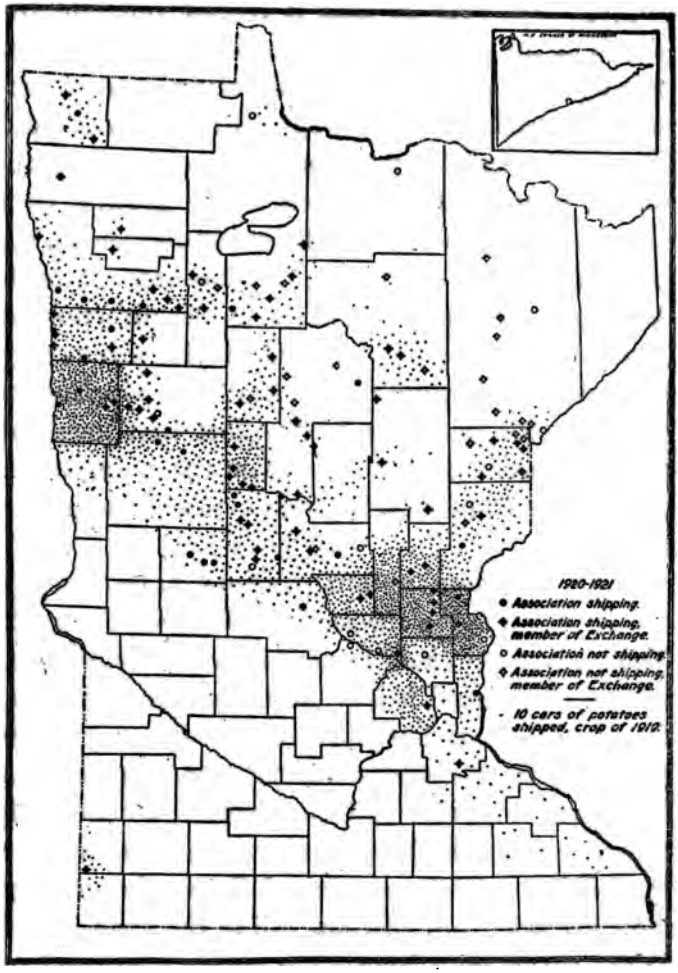
But before we consider that proposition, it is well to get a few spud figures in hand. In 1917, an average war period potato year, our total production amounted to 442,108,000 bushels, and in 1912 we produced an excessive crop for pre-war times which amounted to 420,747,000 bushels. The effect of this crop and the resulting low prices are noticed in the production for the following year, 1913, when the yield amounted to only 331,525,000 bushels. In 1920 the production amounted to 414,986,000 bushels, following the lean year of

1919, when the production amounted to only 357,-901,000 bushels. The latter year was when the price did not pay for the digging and millions of bushels in the potato section were not dug. It was not a poor season, but it served to give the speculators a hand, just the same.

The conclusion to be drawn from these figures, running as they do over a period of years is that the per capita consumption of potatoes runs from 3¼ bushels to 4½ bushels per year, roughly speaking. The wide fluctuation in price is caused by the presence or absence of that vital 1¼ bushels per capita per year. We consume practically every bushel of potatoes we produce, so the exportation of a portion of the crop has little to do with the case. In 1920 we exported only a little over $8,000,000 worth of potatoes which would run about 10,000,000 bushels at the prevailing prices then, but we import potatoes to take the place of those we sell, so the score is about even there.

The next conclusion that is forced upon one is the fact that the wide fluctuation in price, as shown in Fig. 13, is all out of proportion to the fluctuation in production. The production might be more nearly regulated by the growers, but since sane production, which means production at a profit, is the only sort that pays today,

Fig. 13


1920-1921
Association shipping.
Association shipping, member of Exchange.
Association not shipping.
Association not shipping, member of Exchange.
10 cars of potatoes shipped, crop of 1919.

LOCATION OF POTATO MARKETING ASSOCIATIONS.
—University of Minnesota Bulletin No. 195.

the first step is to retain control of the available supply each year so that it cannot fall into the hands of the professional speculators. And when this is done, when orderly marketing is an accomplished fact and the wide spread in the price paid the grower and the price paid the consumer is reduced, insuring a fair profit to the grower, then the question of a more uniform production on the part of the grower will largely take care of itself. Men are encouraged to move in the direction of profit, of steady profit, and one of the reasons why we have had a wide fluctuation in production in the past has been due to the fact that men got tired of guessing what the market was going to do. They had burned their fingers too often in the past.

The Minnesota potato growers have already taken steps to stop the market antics of the spud. They have had their local shipping associations, as was mentioned briefly in a preceding chapter, for several years but these were not in a position to cope with the real situation, any more than a local grain elevator is in a position to cope with the interests that determine grain prices, because they did not retain control of the market supply long enough; they did not guide the crop direct to the consumer. Hence, the potato continued to

pursue its hectic course up and down the market chart.

It is significant to note that the very first commodity group formed by the Minnesota cooperators under their plan of organizing into five important groups, was the potato group, known as the "Minnesota Potato Exchange." This exchange is the marketing agency for the local shipping associations and has sole control of this phase of the work. Every bushel of the potatoes grown by the grower members of the exchange is marketed through this agency and through none other.

Last year the Minnesota Potato Exchange had a membership of 98 local shipping associations; the number is constantly increasing and will doubtless number 150 associations before long. The exchange takes orders for the potatoes in carload lots, then routes them from their local shipping association warehouses through the Twin Cities and on out to their destination. The potatoes are kept in the local storage houses until the local association desires to ship. But the exchange keeps them advised of conditions and in this way the market is not glutted at any one time; the process is entirely orderly and efficient. It enables the growers to obtain the best prices for their potatoes whenever sold and at a very slight

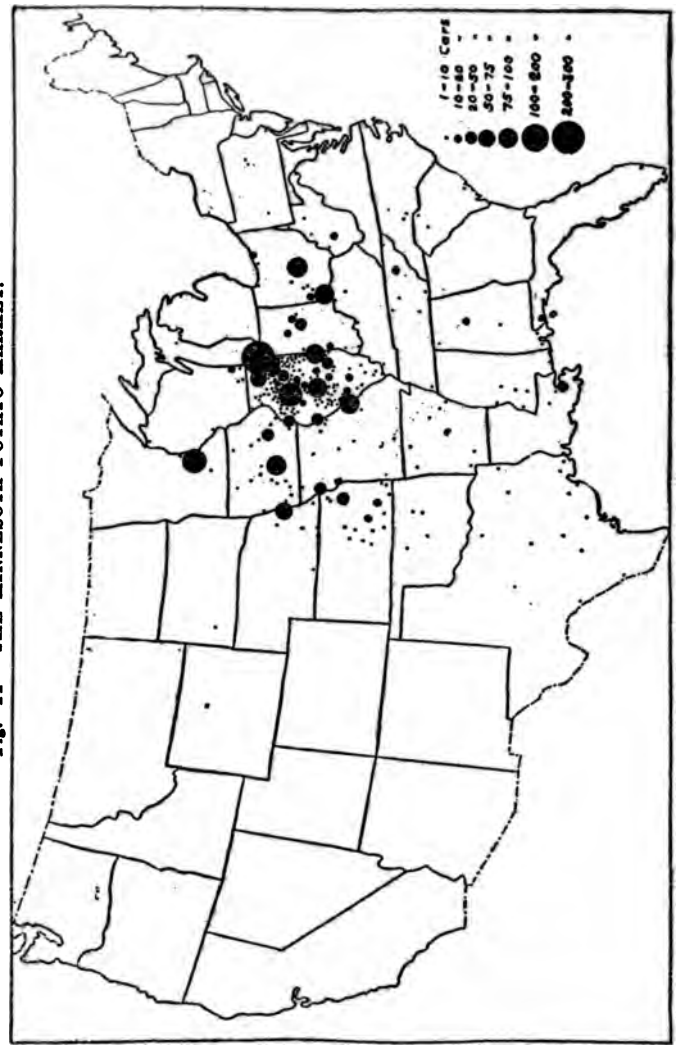
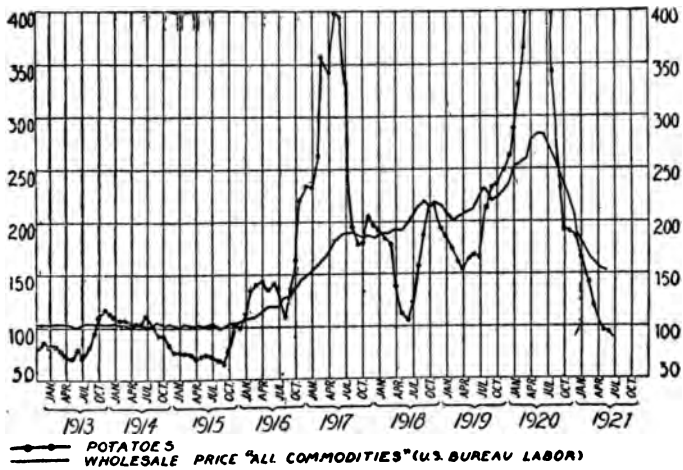


Fig. 14— THE MINNESOTA POTATO MARKET.
Destinations of Minnesota potatoes in 1920-21.
—University of Minnesota Bulletin No. 195.

Fig. 15



handling cost. The Minnesota Potato Exchange charges ten cents per hundred pounds for this marketing service, a very nominal commission, which is generally entirely covered by the additional price which it is able to secure.

In 1920, the exchange controlled 10 per cent of the Minnesota crop and that was during the year of organization. During 1921, it strengthened its position very materially and controlled a considerably greater portion of the crop. This control as to sale is absolutely in the hands of the exchange; the membership is all under contract and it is 100 per cent compulsory.

That the business is handled in a manner entirely fair to all concerned is evidenced in the fact

that each association gets a pro rata dividend if any is paid, out of the ten cents selling charge imposed, in addition to the price received at market. The exchange is truly cooperative and is managed on that basis; it seeks to make no profit, but aims merely to perform a service.

That the production of potatoes will serve to take care of itself when orderly marketing is assured is evidenced in the fact that during 1921 the Red River Valley growers decreased their acreage 10 to 15 per cent. Some authorities place the increase even higher, running from 25 to 35 per cent. That the exchange has been a stabilizer in other directions is indicated in the fact that only one local shipping association succeeded prior to the organization of the exchange to every ten that failed, and since the exchange was formed not one local association member has failed. The 98 associations comprising the membership in 1920 represented 5,000 potato growers in Minnesota, North and South Dakota.

The exchange publishes a weekly bulletin which goes to every individual member associated with it. This bulletin contains such pertinent information as market reports, advice on growing, spraying and grading potatoes, on storage, shipping and other points which furnish a distinct service to the grower. This bulletin also keeps

$500.00 .....Minn.,.....192...

On demand, for value received, We.....

.....promise to pay to the order of THE MINNESOTA POTATO EXCHANGE, without interest, the sum of Five Hundred Dollars.

.....

By.....
President

.....
Secretary.

Presentation for payment, protest and notice of dishonor, are waived by each maker, endorser and guarantor hereof.

Note Given by Local Association to Minnesota Potato Exchange to Insure Pooling Agreement.

$100.00 .....Minn.,.....192....

ON DEMAND, FOR VALUE RECEIVED, I PROMISE

TO PAY TO THE ORDER OF.....
THE SUM OF ONE HUNDRED DOLLARS.

.....

Presentation for payment, protest and notice of dishonor are waived by each maker, endorser and guarantor hereof.

Note Given by Grower to Local Association to Bind Pooling Agreement.

the entire membership informed as to what the other associations are doing in their respective fields.

During the first year of business the Minnesota Potato Exchange carried a volume of business of almost $1,500,000 which was close to 2,450 carloads. The increase has been steady and by the

close of the present season (1922) they will no doubt have doubled these figures.

The point simply is that the kinks are soon going to be taken out of the potato situation, and the trick is going to be done through the medium of cooperation on the part of the growers. What the Minnesota growers are doing can be done by growers in other localities, and even in other commodities or groups. But the potato situation is perhaps one that is in need of the most attention just now. The fact that the Minnesota Potato Exchange is making progress now, in so short a space of time, is a distinct victory for farm cooperation.

Its service has not been merely along the line of marketing routine. It has taught the grower the necessity of grading his crop according to the United States standard, which is the same as the Minnesota standard, by compelling him to do this in his contract. If he fails to do this he is penalized not only by the market but by the association. Under the supervision of the Minnesota Potato Exchange, no such wide fluctuation in size and quality of potatoes can occur as is generally found in market run of potatoes.

Fully as much profit is to be obtained in proper grading of the crop as in efficient marketing, because the market will not accept that which it does not want, regardless of price. The farmer who

does not have the advantage of a cooperative selling agency can still profit by proper grading of his crop. The Minnesota Potato Exchange is performing all of these services for the member growers, and a great many more. In short, it seeks to look after the potato welfare of the members in all that the term implies. Its success is found in the work it is doing. It is one of the leading cooperative institutions in the Middle West.

In the thought that the contracts between the local shipping associations and their members and the local associations and the Minnesota Potato Exchange will be of interest to the readers, they are presented herewith. The first point we want to call attention to in this connection, is the compulsory pooling agreement. The members of the local shipping associations must not only agree to sell their entire production through the local shipping association but they must execute a promissory note in the amount of $100 which is forfeited as compensatory damages immediately upon the violation of this agreement. The local association, in turn, must execute a similar agreement with the Minnesota Potato Exchange in the sum of $500 in case they violate their agreement to sell only through the said exchange. These note forms are shown in the accompanying illustrations.

CHAPTER FIFTEEN

National Live Stock Marketing

Conditions obtaining at the principal live stock markets have long been a source of unrest among farmers and shippers. The feeling has long persisted, whether based on fact or not, that the shipper was not "getting a fair shake" at the yards. This feeling has been played upon by the designing politician and farm organization leaders who had some personal axe to grind.

Where there is so much smoke, there is usually a little fire. It cannot be said, in the interests of truth, that all of the suspicions against the packers and the stockyards interests were entirely groundless or that they had no basis in fact. While there can be no doubt, if one is charitably inclined, that much of the "abuse" of the interests has been grossly magnified and over-estimated.

We now know, after our study of our marketing system, that it was not the men at the yards who were abusing the farmer and the shipper so much as it was and is the marketing system under which the products were handled. The yards were in control of interests engaged a great deal in speculation on the products delivered there by the farmer and shipper. There was an over-accu-

mulation of middlemen, all of whom had to have a "profit" upon which to endure. Rules and internal organization among these middlemen served to protect and preserve them against annihilation —the farmer and shipper being made to bear the load.

In his search for economic justice and as a result of his study of the principle of cooperative marketing, the farmer discovered that the present method of marketing is wasteful and inefficient to a marked degree. Too much of the consumer's dollar is absorbed in middlemen's charges. Farm products, and this includes meat products as well as other products, follow too round-about a circuit in their journey from the farm to the consumer. Waste, characteristic as it is of American life, existed all along the line. Cooperative marketing seemed to offer the best solution for the elimination of this waste, and still preserve the normal service for which our present marketing system exists.

The local live stock shipping movement, as we have already noted, was the first application of the cooperative principle to the live stock industry. But it was only a beginning, a tiny rivulet. It could not change the course of the great live stock marketing stream. The spot where the most serious waste existed was at the terminal markets—at the stockyards.

The same problem was presented to the live stock shippers that was presented to the Minnesota potato growers. There must be a coordination of the local associations into strong federations located at the chief terminal markets, if the waste and the abuses of the present system were to be removed. It is but natural, then, that the solution of the live stock marketing problem should have been approached in much the same manner as was the solution of the potato problem. This difference exists, however. The live stock movement is on a much larger and more important scale. It is national in character, being planned to eventually extend to the principal live stock markets of the country; indeed, today it has been established at all of the important markets in the Middle West.

The first work along the line of a national live stock marketing plan was taken shortly after the United States Grain Growers, Inc., had been launched and the grain marketing plan seemed to be assured of successful fruition. The live stock men of the Middle West held a conference in Chicago on July 23, 1920, for the purpose of setting the proper machinery in motion to bring about some plan for national live stock marketing. This conference finally arranged for another conference to be held on October 8, 1920, at which con-

ference the live stock men authorized the appointment of a "committee of 15" of their number to bring out a plan.

The committee was finally appointed and publicly announced on the twenty-third of January, 1921. It was to make a study of cooperative live stock marketing problems and, if possible, formulate a national plan based upon these principles. The committee was composed of the following, officially known as the "Committee of 15":

C. H. Gustafson, Chairman, Chicago; A. Sykes, Vice-Chairman, Ida Grove, Iowa; H. W. Mumford, Secretary-Treasurer, Chicago; Harry G. Beale, Mt. Sterling, Ohio; J. E. Boog-Scott, Coleman, Texas; W. J. Carmichael, Chicago; W. A. Cochel, Kansas City, Mo.; C. E. Collins, Kit Carson, Colo.; E. H. Cunningham, Des Moines, Iowa; Howard M. Gore, Clarksburg, W. Va.; J. B. Kendrick, Sheridan, Wyo.; W. A. McKerrow, St. Paul, Minn.; J. H. Skinner, LaFayette, Ind., and O. O. Wolfe, Ottawa, Kansas.

The following gentlemen were named as alternates: John G. Brown, Monon, Indiana; James Clemmens, Kansasville, Wisconsin; W. S. Corsa, Whitehill, Illinois; John M. Evvard, Ames, Iowa; E. C. Lasater, Falfurrias, Texas, and Wm. H. Pew, Ravenna, Ohio.

Some six or seven meetings were held during 1921 by the Committee of 15 at which ideas were exchanged, plans proposed, and methods discussed. In the fall of 1921 the Committee of 15 finally informed President J. R. Howard of the American Farm Bureau Federation that it was ready to report and requested that he call a national conference of live stock men and interests to consider and receive this report.

The result was that the National Live Stock Conference was called for November 10, 1921, and was attended by delegates from 15 states, representing all of the important farm organizations and live stock organizations. The report which the Committee of 15 submitted to that conference was adopted unanimously at the end of a two-day session.

Dr. O. O. Wolfe, one of the members of the Committee of 15, and now a director of the National Livestock Producers' Association, has this to say concerning the plan adopted:

"The plan as submitted by the Committee and adopted by the Conference is frankly built upon the cooperative marketing principle. Because the introduction of the plan as submitted in the report states clearly and concisely some of the considerations that led to the conclusions of the Committee, it is herewith quoted:

" 'The Committee early found that the problems in connection with live stock marketing which the Committee would be obliged to consider involved cooperative marketing, orderly marketing, live stock production, marketing information, transportation and finance.

" 'Some live stock organizations fairly and ably represent special live stock interests or regions of production. Yet these for the most part have not been sufficiently financed nor are they sufficiently national in scope to function strongly and effectively.

" 'The need for a national live stock organization representative of a very large number of the rank and file of live stock producers in all parts of the United States has long been felt. Such an association properly financed and directed should be able to represent wisely and with authority the live stock producers' interests, wherever and whenever they are concerned.

" 'The Committee has come to feel that such an organization can best be built with more efficient live stock marketing as its primary purpose. Without becoming a burden to anyone such an organization should grow to be largely representative of live stock producers and easily become self-supporting.

" 'The building of such an organization hinges upon the willingness of live stock producers to cooperate in marketing their live stock and it is convinced that until they do so cooperate there is little hope of substantial and permanent improvement in live stock marketing.

" 'To provide the required agencies for the effective handling of the live stock marketing problems and otherwise promote the best interests of live stock producers it is necessary for the producers themselves to have:

" 'First: Producers' Live Stock Associations established at the terminal markets to render service to individual producers and cooperative live stock shipping associations.

" 'Second: Producers' Stocker and Feeder Companies established in connection with Terminal Commission Associations.

" 'Third: A national organization of live stock producers.'

"The cooperative marketing plan approved is built from the ground up. The individual live stock producers of the nation constitute the foundation. Producers are strongly urged to join the local cooperative live stock shipping associations. However, if for any reason they do not find it to their advantage to do so, they may still avail themselves of the selling-at-cost facilities by con-

signing their stock direct to a Producers' Live Stock Commission Association that is owned and controlled by live stock producers themselves.

"As soon as the National Livestock Producers' Associations receive assurances that there will be sufficient patronage and sufficient memberships to finance the undertaking there will be established at the terminal markets producers' live stock commission associations and the allied stocker and feeder companies. These will be truly cooperative, savings or earnings being returned to patrons on the patronage dividend basis. This is service rendered on a cost basis.

"Each of the cooperative commission associations at the various terminals is entitled to representation on the directorate of the National Livestock Producers' Association. The national board of directors will federate, correlate, standardize, supervise and promote cooperative live stock marketing through the terminal commission associations and other agencies and a number of these cooperative commission associations have already been established.

"The first board of directors of the National Livestock Producers' Association has been appointed as follows: Harry G. Beale, Mt. Sterling, Ohio; J. E. Boog-Scott, Coleman, Texas; J. G. Brown, Monon, Indiana; Chas. E. Collins, Kit

Carson, Colorado; E. H. Cunningham, Des Moines, Iowa; C. A. Ewing, Decatur, Illinois; Howard M. Gore, Clarksburg, W. Va.; Hugh M. Sproat, Boise, Idaho, and Dr. O. O. Wolfe, Ottawa, Kansas.

"It might be well to mention the salaries of this board of directors. There have been organizations in this country established and supported, many have thought, because of the salaries they have received. At the first meeting of this board in Chicago, the latter part of December (1921), it was voted that the compensation was to be only the actual traveling expenses. It was felt that men should be placed on this committee who are substantially interested in the live stock of the country to make a little sacrifice of time. This is necessary in order to do this properly, and that is the principle that is outlined. The board of directors are to serve without compensation. No member of the board is permitted to be a paid officer of the commission. They are to hire and not to be employed. This is done as a safeguard.

"This Board held its first meeting on December 28-30, 1921, at which time the following officers were elected: J. G. Brown, Monon, Indiana, President; Chas. E. Collins, Kit Carson, Colorado, Vice-President, and E. H. Cunningham, Des

Moines, Iowa, Secretary-Treasurer. These three constitute the executive committee."

This statement by Dr. Wolfe gives a fair outline of the reasons for the action taken by the Committee of 15, the personnel of the committee and the resulting board growing out of the adoption of its plan. The details of the plan will, no doubt, be of interest to the reader.

Membership in the National Livestock Producers' Association is accepted from two sources, local live stock shipping associations or other live stock organizations and from individual live stock producers. The membership fee for cooperative live stock shipping associations is placed at a minimum of $50 for all associations shipping 50 cars of live stock or less annually, with an additional 50 cents for each car of live stock over 50 shipped annually. The volume of business determining the membership fee was reckoned on the 1921 business or for the year next preceding the application, as the case may be.

The fee for individual memberships in the Association is placed at $10. This is for those shippers who are not members of cooperative local shipping associations, or those members who ship their own stock.

The first terminal marketing commission organized under the above plan opened its doors for

business at Chicago on January 2, 1922. Since that time other terminal commissions have been established at East St. Louis, Indianapolis, Oklahoma City, Peoria, and other points are being investigated. In almost every instance, the Producers' Live Stock Commission Associations have leaped to the head of the column in the point of business transacted, and have exhibited a very rapid and encouraging growth. The association at East St. Louis, for instance, has had the following record during the three full months of organization: January (1922) 250 cars; February, 334 cars and March, 436 cars. The total receipts for March were 8.2 per cent of all business received at the National Stock Yards.

Probably none of the farm cooperative federation movements have at once secured the support and attained the position of dominance in their fields in the same space of time, that has come to the Producers' Live Stock Commission Association. This has been due, in part, to the fact that it offered tangible results to start with; that is, it commenced to handle live stock and the producers could actually see the plan in operation. Another reason for the support which it has received has been due, no doubt, to the fact that it was efficiently organized and an economical plan of organization adopted. The matter of "salaries"

was wisely decided. The Committee of 15 profited from the mistakes of the United States Grain Growers, Inc., and did not lay itself open to the attack of the opposition on this score.

Another reason is no doubt found in the fact that the average live stock producer is more alive to the opposition he encounters at the yards, and has been more thoroughly schooled in the true co-operative spirit. He has long been familiar with the rudiments of cooperative marketing through his membership in and affiliation with the local live stock shipping association, while other farm producers in other commodity groups have not been so well favored on such a wide scale.

What the National Livestock Producers' Association will ultimately achieve is, of course, merely a matter of conjecture. But the future seems unusually attractive. The organization is actually functioning and has been gaining ground steadily, meeting that acid test of worthiness in the business world, competition. What it will be in the future depends wholly upon the character of the management and whether the officers at the head of the organization will continue to be willing to put the cause above self and serve the interests of all in this unselfish spirit.

CHAPTER SIXTEEN

National Dairy Marketing

Strict national dairy marketing, as has been already perfected in the case of live stock and as in process of organization in grain, has not been worked out. A national dairy marketing committee of 11 has been appointed, however, and is now at work upon a national plan which will enable the producers of dairy products to form some kind of a national cooperative dairy marketing federation.

It may seem a bit of a paradox that dairy products should be among the last of the commodity groups to form a national federation, whereas dairy products were among the very first to perfect local organizations in the early history of the cooperative movement. This may be explained, in part, by the fact that the nature of the products coming from the dairy industry are such that they must, in the majority of cases, be marketed close to the source of production. The trade territory of the average cheese factory or creamery is usually regional, rather than national in scope. At least that has been the thought which has grown up through past marketing customs.

There has been more or less of a federation movement in many of the chief dairy centers of recent years, notably in Wisconsin and in Washington. In the former state the Wisconsin Cheese Producers' Federation is a well-known example in the cooperative world.

A recent statement issued by H. B. Nickerson, a member of the "Committee of 11," president of the Minnesota Cooperative Creamery Association, and vice-president of the Twin City Milk Producers' Association, concerning the Wisconsin federation gives an interesting review of its history and achievements in the dairy marketing field:

"The Wisconsin Cheese Producers' Federation was organized in 1914 and has had a gradual development. On July 1, 1921, there were 120 factories as members, located in 15 different counties. Cheese was handled from these factories to warehouses, one located at Plymouth and one at Spring Green. During 1920 warehouse cheese was shipped to 37 states. At the present time the Federation is marketing the cheese of the 33 factories comprising the Minnesota Cheese Producers' Federation.

"The Wisconsin Cheese Federation is a cooperative organization, controlled by its farmer members. The farmers in and around the local cheese factory form a Cooperative Cheese Producers'

Association, to which they pay $1 membership fee each, and out of the money thus raised, they take one $10 membership in the Wisconsin Cheese Producers' Federation. The local cooperative organizations each elect a board of five directors, from which are selected a president, vice-president, secretary and treasurer. Only members can vote on anything pertaining to the Federation. In order that money may be raised to build needed warehouses and storages for the handling of the farmers' cheese, a company called the Wisconsin Dairymen's Storage Company has been formed with a capital stock of $125,000. Of this $2,000 is common stock and the balance is preferred stock.

"The Federation is insisting that the members in the local cooperative associations sign a contract for five years. The Cheese Producers' Federation sells only the cheese of its members, which is paid for on the basis of the selling price minus the handling cost, which is in the neighborhood of 50 cents per hundred pounds at the present time.

"The Wisconsin Cheese Producers' Federation is now putting a special branded cheese, standardized and of a guaranteed quality, under the trade name of "Mello-Creme." They are attempting to build up a market for this cheese which will net an additional profit to the producers. It has been the

custom in the past for private dealers to follow the prices as established by the so-called Plymouth Cheese Board, and to pay for all cheese as poor cheese. This failure on the part of the cheese buyers to recognize quality as the basis in the purchase and also the fact that there has been no attempt to reduce the wide margin that exists between the price received by the producer and that which the consumer has to pay has been of great injury to the cheese industry. The private dealers have followed the practice of forcing the price of cheese to an unwarranted low level during the months of high production to enable them to fill their warehouses with cheese which could be held for later markets at a higher price.

"The Committee was informed that in 1921 during 19 weeks of the heaviest milk producing period, about 70 per cent of the annual output of cheese was produced and sold for less than 14 cents per pound. Investigations among stores retailing cheese at the present time shows that they are selling this American Cheddar Cheese all the way from 40 cents to 65 cents per pound. The Wisconsin Cheese Producers' Federation is hoping to be able to develop its organization until it is able to follow a majority of the cheese produced in Wisconsin from the producer to the consumer. It is the object of this cooperative organization to

increase the consumption of cheese through advertising and educational work, and to reduce this present wide spread between the producers' price and what the consumer has to pay in the retail trade. In doing this the farmers are going to put a guaranteed product on the market."

The Wisconsin Cheese Producers' Federation has been financed at a very low figure, it would seem, judging from the standards set in other cooperative organizations. It commenced business in 1914 with only $2,000 authorized capital of which only $651.69 was paid up.* By 1919 the federation marketed about 14,000,000 pounds of cheese at a value of $4,306,599, and had a capital stock of only $1,320, a surplus of $37,694 and an undivided net income of $26,017. According to Macklin, it "required equipment capital amounting to $46,948 or 20 per cent of the total capital, and circulating capital of $187,585 equal to 80 per cent of the total." It is obvious that the great bulk of the financing has come from outside sources.

The federation, like many other cooperatives starting out with a small capitalization, soon came to a point in its development where the original member factories had built up a profitable business, had allowed past earnings to accumulate in

* Efficient Marketing for Agriculture, Theo. Macklin, p. 257.

order to furnish additional capital to aid in financing the rapidly expanding business, and were met with the problem of how to distribute the earnings properly to the new patrons who were furnishing volume but had furnished no considerable share of the surplus which had been piled up prior to their affiliation with the federation. This was finally met by the adoption of a resolution known as Article VI of the by-laws:

"The board of directors shall have authority to issue shares of stock or the promissory notes of this association, in payment of patronage dividends to stockholders, and to provide for a method of rotating capital based upon the tonnage of cheese marketed by the stockholders through this association."

The Wisconsin Cheese Producers' Federation is on a firmer basis today than ever before and with the gradual elimination of the financing troubles which have been a problem to the management in the past, it seems assured of a place of influence and power in the commercial world. Especially significant is the branding and advertising of its products over trade names.

UNITED DAIRY ASSOCIATION

The United Dairy Association of Washington is a fair example of what can be done in the marketing of milk and milk products on a cooperative basis. Three years ago the Association was not in existence. Today it is operating seven major

plants and three minor plants in the state of Washington, representing an investment of capital of $1,500,000. The seven major plants, located at Lynden, Bellingham, Burlington, Mt. Vernon, Arlington, Snohomish and Chehalis, are capable of handling 1,000,000 pounds of milk daily during the peak of the surplus production period. During 1921, the total output of these plants reached a total of approximately $5,500,000, and according to Mr. J. A. Scollard, president, it is anticipated that they will do a business of $8,500,000 in 1922.

Mr. Scollard, in a recent article in The Washington Farmer, gives these details concerning the plan of organization of the United Dairy Association:

"The United Dairy Association of Washington is made up of one representative from each county association; its nominal capital stock is $100, made up of 20 shares at $5 per share. This association had no money with which to undertake the marketing of such a vast quantity of products in a manner that would admit of payment to the producer for his milk on a monthly basis; the directors realized that to open up the market and successfully dispose of the immense output of the association plants would require men of experience as well as the necessary capital.

"They, therefore, caused to be formed the Consolidated Dairy Products Company. This company had paid up capital of $250,000 and was organized for the sole purpose of selling association products. The basis of its formation was a contract with the United Dairy Association of Washington whereby the latter was to sell through it the association products not disposed of locally.

"A rigid investigation of the selling costs of various dairy products was made by the United Dairy Association of Washington and the commission on sales by the Consolidated Dairy Products Company were based on the results of this selling cost investigation. The contract between the United Dairy Association of Washington and the Consolidated Dairy Products Company is for one year and contains three salient features which fully protect the association.

"First, the contract can be terminated by either party on 60 days' notice and the association has the option of buying, at cost less depreciation, the distributing machinery of the Consolidated Dairy Products Company in the event the contract is terminated.

"Second, the association fixes the selling prices of all commodities sold.

"Third, commissions, as fixed by the contract, are subject to revision whenever it becomes ap-

parent that they are out of line with actual selling costs.

"The contract further provides that the United Dairy Association of Washington shall have one of its members on the board of directors of the Consolidated Dairy Products Company with access to all records. A monthly statement of all sales and transactions is rendered to the association.

"The present system of sales is conducted as follows: All sales of canned milk in western Washington is made direct to the retailer. In eastern Washington, Montana and Idaho the distribution of all commodities is made through jobbers, shipments being made in carload lots. The selling organization, however, maintains salesmen who cover these fields. The Consolidated Dairy Products Company has a branch in Tacoma and active sales agencies in Portland and Los Angeles, a branch selling agency will be established in San Francisco this year (1922), and we are now entering into arrangements with the California dairymen's associations to supply them with canned milk, a commodity which they do not manufacture.

"Practically all of our butter and cheese, with the exception of what is disposed of locally, is sold in Seattle; the former in cubes. Considerable quantity, however, goes to Alaska where we are

rapidly winning favor in that market with the excellent flavor and keeping qualities of our butter.

"Our immense output of milk powder, packed in 200-pound barrels, is largely consumed by the baking industry to which we have access through the largest bakery supply house in the United States. We recently contracted with this concern for the sale of 50 carloads of 60,000 pounds each, for delivery prior to August 1, 1922. The 50 carloads above mentioned, amounting to about 3,000,000 pounds will consume our surplus make until that date.

"We are supplying practically all of the skim milk powder used by Washington buyers, but the great bulk of this product is distributed in large and small lots in practically every state in the Union, as well as in the export trade. We have demonstrated the superiority of milk powder made from Washington milk over all others."*

The United Dairy Association of Washington is organized in the six principal counties of Washington, so far as the dairy industry is concerned, and has an active membership of approximately 6,000 dairymen and farmers. Each dairyman-member is under a strong contract with the local association whereby he agrees to sell it all of his milk or cream, the association in turn agreeing

* The Washington Farmer, March 2, 1922, p. 6.

to find the best possible market for it. The local association is, in turn, under contract with the United Dairy Association of Washington, making the latter its sales agent for all of its surplus or finished products.

Mr. Scollard gives the following reasons for the success of the United Dairy Association of Washington:

"1. Our determination to turn out products of the highest quality. We have carried out this policy, which was made possible by strict methods of standardization in modern, well-equipped plants.

"2. The fact that we organized and built plants in all of the counties simultaneously, making it possible to present a solid front all along the line, thus withstanding the onslaught of our vindictive enemies. It is safe to say that operating on a separate unit not one of our associations would have survived the year.

"3. The decision of our directors to enlist sufficient private capital and experienced, capable men in our marketing program. Our associations would not be in existence today had we adopted pooling or other plans and failed to pay the dairymen fully for their milk once each month. We have never regretted this decision.

"4. Last, but not least, the splendid loyalty and morale of our membership in almost completely cooperating in every way. The earnest and capable men who formed the leadership of the county associations were responsible for this spirit and their own sacrifices of time and effort gave the members confidence and strength in supporting their policies."

TWIN CITY MILK PRODUCERS' ASSOCIATION

Another strong federation of dairy producers is the Twin City Milk Producers' Federation located at Minneapolis and St. Paul, Minnesota. This organization is composed of more than 3,000 member dairymen and farmers living in and around the Twin Cities. A large number of creameries, factories, a powdered milk factory, and other plants are operated by this thriving dairy marketing association.

There are in all some 54 local organizations affiliated with the central selling agency which handles all of the products produced. The stock in the association it divided into $50 shares for each four cows milked. These shares may be paid for with 5 per cent of the monthly milk check, if the producer so desires. Dividends are fixed at 6 per cent, and in October, 1921, the association had a surplus on hand of $40,000, which was used for a sinking fund.

Mr. H. R. Leonard, manager of the association in an address before the national dairy marketing committee of 11, stated that the greatest problem to be solved, so far as national dairy marketing was concerned, was how to handle the huge surplus in the surplus producing months of the year. He stated that the plant operated at Northfield by the association had turned to butter making the summer before and had enabled the producers around that town to continue to market their milk at a time when there would have been no market for it, due to the low price of condensed milk. The association has also established a powdered milk plant at Anoka, Minnesota, for the purpose of absorbing much of the surplus.

Education along the line of producing fall milk will help very materially in this direction, and Mr. Leonard feels that the function of any cooperative marketing association does not end with the mere handling of the dairy products. He expects it to lead the way in this educational work.

The Twin City Milk Producers' Association has spent a great deal of effort along the line of stabilizing supply and providing the facilities for handling it. The next greatest service it renders is the service to its dealers, through which it virtually controls the supply of milk furnished the people living in those two cities. All dealers are

under contract, as well as all producer-members. The latter cannot leave the association except on June 1 each year and then only upon 30 days' notice prior to that date.

The sales to the dealers in the Twin Cities have doubled since 1918, indicating that the quality of the product and of the service is winning its way even in the face of a competition not ordinarily accorded a privately owned concern. The Twin City Milk Producers' Association now dominates the situation in its trade territory.

CHAPTER SEVENTEEN

The U. S. Grain Growers, Inc.

The United States Grain Growers, Inc., represents what has been characterized as "the greatest cooperative effort in the history of agriculture." In other words, it is the attempt of the grain growers of the United States to cooperatively market their own grain to the consuming public, to prevent speculation in grain, and to stabilize prices by orderly marketing.

The first attempt at a national federation movement in any of the principal commodity groups was that of grain. Grain, as we have already seen in the previous chapters, has ever been the entering wedge and the rallying point in the cooperative movement; it marked the founding of the local cooperative elevators in the early 90's; it marked the origin of the Equity Cooperative Exchange, the first true business cooperative organization to successfully market grain; and, so, it marked the first attempt at a national cooperative marketing plan.

On July 23-24, 1920, a national marketing conference was held in Chicago largely composed of grain growers and shippers of strong cooperative

marketing leanings. This conference was composed of the representatives of all of the principal farm organizations and cooperative concerns interested in the subject of grain marketing. They had assembled for the frank and avowed purpose of determining whether it would not be possible to perfect a national organization uniting the efforts of the various localized units into one strong and capable grain marketing agency owned and controlled by the farmers of the land.

Attempts had been made in this direction before, but they had always ended in failure. It seems to be a certainty that as soon as a number of farmers attempt to "get together" the proverbial monkey-wrench appears from that mysterious source known as the "dark spot."

We quote from a booklet issued by the department of information of the United States Grain Growers, Inc.:

"But the conviction remained that the farmers of America could market their grain to their advantage—honestly, uprightly, and in a business-like way—as well as manufacturers of farm machinery, harness and clothing merchandise their products. The men in this national conference had that conviction. They believed in the good sound business ability of the rank and file of the farmers of the United States. They trusted in the

conservative judgment and cautiousness that is inherent in the man who tills the soil and must correlate weather conditions, crop pests, soil conditions and price fluctuations in the conduct of his annual business. Unity had been the weak point in their cooperation. As between the cooperative efforts of the different cooperative organizations they realized that the greatest weakness had been that they had not cooperated with each other.

"So out of this national marketing conference there came the Farmers' Marketing Committee of Seventeen. These seventeen men represented state and national organizations of farmers who were interested in the marketing of grain. Some members of the committee selected, either wholly or in part, represented the interests of the public —the consumers of grain.....

"The Committee of Seventeen represented the following organizations: Nebraska Farmers' Union, Iowa Farmers' Grain Dealers' Association, Illinois Agricultural Association, Equity Cooperative Exchange, Michigan Farm Bureau, Missouri Farmers' Grain Dealers' Association, National Farmers' Equity Union, American Agricultural Editors' Association, Missouri Farmers' Clubs, Oklahoma Farmers' Union, State Agricultural Colleges, United States Department of Agriculture, Farmers' National Grain Dealers' Asso-

ciation, Kansas State Farm Bureau, Ohio State Grange, American Farm Bureau Federation and South Dakota State Bureau of Markets.

"Nearly seven months were spent in an exhaustive study of cooperative grain marketing by the Committee of Seventeen. With money furnished by different farmers' organizations, sub-committees visited every successful cooperative agency in the United States and Canada. A study of reports from foreign cooperative enterprises was included. Four of the best statisticians and investigators from the Federal Trade Commission and the United States Department of Agriculture were secured to compile exhaustive data on the grain trade, both domestic and export, and to tabulate and chart the information so that the facts could be readily understood. The best informed men on the grain trade, those opposed to cooperation as well as those who favored it, met and talked with the committee. Those opposed to cooperation tried to tell the committee that the farmers could never hope to get nearer the central markets than the local cooperative elevator—but the Committee of Seventeen thanked them for their suggestions and kept on sawing wood.

"They found that seventy-two per cent of our wheat is marketed within ninety days after harvest. And they incorporated as one of the first

basic principles of their marketing plan the fact that there must be a more orderly movement of grain to market so as to avoid market gluts that play into the hands of the speculator. They found that some of the greatest profits are made in mixing, regrading and conditioning grains, and they incorporated the fact that the farmer must do these jobs himself if he is to realize more nearly the market value of his crops.

"They found that false market reports of foreign crop conditions give the farmer low prices and do not lower the price to the consumer. And the principle of an unbiased crop reporting service to be gathered and disseminated by the farmers themselves was added as part of the marketing plan. They found that over fifty times as much 'grain' is sold in the pits of the Chicago Board of Trade every year as is actually marketed in the Chicago market and that these transactions in imaginary grain affect the cash price of the real grain to the detriment of the producer and the consumer. They included in their plan the fact that by direct selling from farmer to miller or exporter, both producer and consumer would be benefited. They found that a Canadian export company had effected savings of from three to five cents a bushel over what privately

owned export companies had exacted, and they included an export company in their plan.

"They found numberless instances of wastage in transportation and equipment—Nebraska wheat shipped to Chicago, thence to Minnesota to be milled and then back to Nebraska as flour; wheat received in Chicago from Kansas City and reconsigned to St. Louis; only twenty-three per cent of terminal elevator capacity ever used and grain forced to bear the burden of such short-sighted investment and needless duplication of overhead expenses, over and over again.

"Gradually, the marketing plan of the Committee of Seventeen shaped itself into a national farmers' cooperative marketing company—a non-stock, non-profit corporation which 'differs from existing marketing methods in that it recognizes capital only as a servant, remunerating it for its service value only, and returns to the producer the proceeds of his toil in proportion to his patronage.'

"On February 17, 1921, the plan of the Committee of Seventeen was announced. Then followed the National Ratification Conference in Chicago, April 6-8, where official delegates from every farmers' organization in the twenty-three grain states were called to consider and adopt or reject the plan. And there was only one point in

the plan upon which there was a difference of opinion; namely, pooling of wheat. The committee plan offered the grower the choice of selecting the pooling method, direct sales method or consignment. Some delegates wished to make it compulsory for every wheat grower to pool one-third of his wheat. Such an amendment was proposed and for more than a day and a half it was the one subject before the conference. It was determined that, in view of the fact that a national pool of any food commodity had never been tried, it would be unwise to accept the proposed amendment to the committee's plan in that it might jeopardize or prevent the successful operation of the national cooperative plan. The original report of the Committee of Seventeen was then unanimously adopted.

"The delegates to the national conference then elected the board of twenty-one directors who were to proceed with the organization of the new company. On April 16th, the United States Grain Growers, Inc., was incorporated as a non-stock, non-profit corporation. It is an organization of farmers, by farmers, for farmers. Its success depends upon the cooperation of all grain growers. It is purely a business proposition—on a cooperative basis—designed to secure more satisfactory and stable marketing conditions and better prices

through the practice of efficient and economic marketing methods, without disadvantage to the consumer."

Since the organization of the United States Grain Growers, Inc., until the present writing, one year later, the sole accomplishment of the concern has been along organization lines. According to a recent news letter issued by the department of information of the United States Grain Growers, Inc., the organization has more than 50,000 grower members and some 1,100 cooperative elevators affiliated with it, representing more than 100,000,000 bushels of grain.

It remains to be seen whether the United States Grain Growers, Inc., will be the success anticipated for it by the Committee of Seventeen. No one, save the opponents of the principle of cooperative marketing, has arisen to criticise the plan furnished by the Committee of Seventeen; even the opponents of the movement testify, by their actions, to the fact that it is a water-tight proposal and would be most likely to do the things it was intended to do, if given a fair trial. But there has been tremendous criticism of the United States Grain Growers, Inc.,—criticism developing within its own ranks and the ranks of those who at first were enthusiastic supporters of the Committee of Seventeen plan.

The chief criticism arising has been that the management has been extravagant and dilatory in bringing to fruition the actual marketing plan of the Committee of Seventeen; that nothing has been done to aid the grain grower in the actual marketing of his grain; that too much money has been spent in salaries for the officers, in renting expensive office quarters, and in ill-advised publicity efforts.

Opposition which developed at the original ratification conference prior to the organization of the United States Grain Growers, Inc., over the pooling plan has smouldered along throughout the year and finally came to an open head at the first annual convention of the corporation held in Chicago in March, 1922, where the "poolers" were routed and defeated and not re-elected to the board of directors. It is charged by the management that the extravagance practiced during the first year of existence was directly due to the incompetence of the retiring treasurer and leader of the pooling faction.

Just what will come of the movement, is hard to predict. Actual grain handling has not been taken up, although it is promised that it will be commenced during the summer of 1922, when grain handling points will be established throughout the Middle West. Time alone can tell whether

or not the warring factions will be able to place the welfare of the grain grower above self and put into execution the plan of the Committee of Seventeen.

Of course, there has been a determined fight waged against the movement from the organized grain trade. This has taken the shape of propaganda, speeches from paid speakers, and publicity of all sorts. It is but natural that the grain trade should oppose a farmer-owned and controlled grain marketing agency, and it was anticipated by the Committee of Seventeen.

If the United States Grain Growers, Inc., goes down to defeat it will mark a severe blow to the federation cooperative movement; it will not necessarily indicate a weakness in the plan formulated by the Committee of Seventeen but a weakness in the whole personnel of the management chosen to put that plan into execution. It is too early to state whether the movement will fail or not; in some respects, it has failed and will continue to operate under an increasing handicap due to the failure to find a means to handle grain, even on a limited scale; in other respects, it has made substantial progress in that its own management has been definitely determined and the policy definitely established, and a policy of retrenchment and economy followed the past few months.

Its case rests in the hands of the grain growers back on the soil who make up the present or potential membership. Their decision will decide the fate of the movement.

Membership in the United States Grain Growers, Inc., costs the individual grain grower $10 and this sum is paid but once. It is not an annual payment or dues. Experience the past year has shown that a good share of this payment goes to the solicitor securing the membership contract, the cost running in various states from $3 to close to $8 per member signed, depending upon the efficiency of the local organization.

Briefly, the plan contemplates the use of local cooperative elevators as the first link in the chain. The farmer delivers his grain to this elevator, as in the past. The elevator ships it to the selling agency established at the terminal markets by the United States Grain Growers, Inc., instead of to a privately owned commission house as in the past. This selling agency sells the grain and after deducting its charges returns the balance to the local elevator, which in turn discharges its loans incurred for money advanced in payment of grain, or prorates it to the patrons making up a pool, if sold on pool or consignment.

The plan for handling grain, as set out by the

department of information of the United States Grain Growers, Inc., is as follows:

Two kinds of contracts are provided in the marketing plan of the United States Grain Growers, Inc. One contract is between the individual grain grower and his local cooperative elevator or local grain growers' association (where there is no local cooperative elevator). The other contract is made between the local cooperative elevator or grain growers' association and the United States Grain Growers, Inc.

The grain grower executes his contract, by which he agrees to market all of his surplus grain through the marketing organization for a period of five years, at the time that he becomes a member. The membership fee is $10. This fee is paid but once.

Grain that is required and used by the grower or sold by him locally for local use for seed or feed or sold otherwise with the written approval of the United States Grain Growers, Inc., is exempt from the contract. The provision for written approval will allow of quantities of grain to be milled locally to meet the requirements of the local district.

The individual grower may elect to sell his grain under any one of four options provided for in the growers' contract:

1. It may be sold to the farmers' local cooperative company or grain growers association just as at present. The grower will receive the current market price at time of sale as he does at present. His advantage will be that savings made by the export company, conditioning plants, warehousing company, transportation department, sales department, etc., will increase the average price paid to the grower.

2. It may be shipped on consignment.

3. It may be pooled locally. In that case the time and place of pooling is in the hands of a local pooling committee elected

by the farmers who place their grain in the pool. Each grower will receive the average price for the pooled grain of each grade. Two or more local communities may put their grain into a joint pool in which case the control passes to the pooling committee of the United States Grain Growers, Inc. Pools may be township wide, county wide, state wide or national. The development of the pooling feature under the contracts depends upon whether the growers find this method of marketing to be most satisfactory.

4. In the case of wheat, one-third or the exportable surplus of each member's crop may be put into an export pool if he so elects. The other two-thirds may be handled under any one of the first three options as the grower may decide.

One of the strongest points about this plan of cooperative grain marketing is the ease with which it can be put into operation. To start with, the grain may be handled locally with no change from the present method—the grower simply selling his grain to his local farmers' elevator company. The only change anywhere along the line will be that the grain will be sold at the terminals by the selling department of the United States Grain Growers, Inc., instead of by a private commission house, as at present.

In an advisory way, the United States Grain Growers, through its statistical department, will have full information regarding world conditions affecting supply and demand. It can advise local elevator companies as to the best time and place to ship. It can by lease or otherwise acquire terminal warehouse space for the use of elevator companies which wish to store grain for a later market. Through its finance corporation, it will be able to loan money on stored grain so that financial pressure will not force it onto the market at an unfavorable time.

Again, by the gradual development of pooling, if this method proves by actual trial to be an advantageous way of handling grain. The first step in pooling is the local pool which is easy to start and manage and is wholly in the control of the local growers. This can be followed later by pooling on a larger scale by combining local pools into joint pools and transferring the control over the time and place of marketing to the pooling committee of the United States Grain Growers, Inc.

One great advantage of the plan is that the grain is handled at cost from the time it leaves the farmers' hands. Local elevators, in order to be a basic part of the plan, must be truly cooperative. This means that they must do business at cost and that all profits after paying necessary expenses, including reasonable dividends on capital invested in the business, are paid back to the growers in proportion to the amounts and grades of grain delivered.

Another great advantage of the plan is that the grain marketing organization will be owned and controlled by farmers from start to finish. No one but an actual producer of grain can be a member of the United States Grain Growers, Inc., or have a vote in the organization. No one but an actual producer of grain can hold office in the United States Grain Growers, Inc.

Now just a word about the folks who eat the food that we produce. They may look upon this grain marketing plan with suspicion, and who can blame them? They have been exploited and gouged and overcharged so long that they have come to expect it.

It is the hope of the Board of Directors of the United States Grain Growers, Inc., to familiarize the consumer with fundamental facts about food production and distribution. We

want him to appreciate the fact that a prosperous nation is dependent upon a prosperous agriculture and that a prosperous agriculture will reduce the living costs of the nation. Two-thirds of the people of the United States live in towns and cities. They live and eat only by virtue of the toil of the man on the farm. Unless the farmer receives a fair return for that toil he cannot adopt improved methods of production, he cannot maintain and increase soil fertility, he cannot prepare for the day when the farmers of America will have two hundred million people to feed.

We want him to realize, too, how small a part of the dollar that he pays for food ever gets to the farmer—two cents out of the eight or ten he pays for a loaf of bread or three cents out of the fourteen he pays for a quart of milk. *We want him to understand how efficient marketing and distribution of farm crops can give the farmer more for his labor and, in turn, cost the city man less for his food.*

The central feature of the United States Grain Growers, Inc., organization is the five-year contract which the growers and elevators affiliated with it must sign as a prerequisite to membership. These contracts are set out in full in Appendix A, in the back of this book.

Under the contracts, the growers agree to constitute the United States Grain Growers, Inc., their sole selling agency for the term of the contract, except for such grain necessary for seed or home use, or grain milled locally. The contracts were drawn up by expert legal talent and there is no doubt concerning their legality.

The future of the movement, as already indicated, depends upon whether or not the corporation succeeds in establishing and financing selling agencies at the principal terminal markets as promised, and actually handles grain. Unless this is done, the whole movement will fall of its own weight. When it will be done is a matter of conjecture at this time.

CHAPTER EIGHTEEN

Other Federation Movements

It would be impossible, in a work of this kind, to treat specifically of all of the cooperative movements which have achieved the right to be pointed out as successful or indicative of success. It would require many volumes the size of this one and years of time and effort to tell the whole story about the farm cooperative movement.

There are many other federation movements which we have not had an opportunity to consider. Many of them are still in the formative period; others are merely beginning to take definite shape and form in the minds of farm organization leaders, and others have merely been suggested by competent authorities as problems for future attention.

And there are many federation movements actually set up and operating at the present time in various parts of the Middle West deserving of more attention than we have been able to give them. Movements which are performing a substantial service to the farmers in the communities where they operate; and there are many federations of local cooperatives which operate in a more or less restricted territory which should

have attention, in passing at least, before we close the book on the Federation Movement.

Among the more outstanding of these are the various Farmers' Union Exchanges and Live Stock Commissions; the Missouri Farm Clubs local shipping associations, elevators and commissions; various state federations such as the Iowa Federation of Cooperative Live Stock Shipping Associations, the various state wool pools, the Wheat Growers' Association and other grain grower organizations; numerous state finance corporations proposed or organized on a semi-cooperative basis, and others.

Among the movements still in a formative period but which will undoubtedly be perfected before long is a National Fruit Marketing plan, to grow out of the work of the Committee of 21 appointed early in the winter of 1921.

This Committee of 21 was appointed under the same plan as the Committee of 17, the Committee of 15 and the Committee of 11, the first two of which have already proposed plans for the cooperative marketing of grain and live stock respectively, and the latter of which is now at work on a plan for national cooperative marketing of dairy products.

The members of the Committee of 21 are the following authorities in the fruit growing and

marketing business: W. B. Armstrong, Yakima, Washington; Sheridan W. Baker, Santa Rosa, California; C. L. Durst, Chicago, Illinois; W. F. Farnsworth, Waterville, Ohio; M. B. Goff, Sturgeon Bay, Wisconsin; Prof. Laurenz Green, La Fayette, Indiana; Charles E. Hardy, Hollis, New Hampshire; Orlanda Harrison, Berlin, Maryland; W. B. Hunter, Atlanta, Georgia; E. A. Ikenberry, Independence, Missouri; A. E. Johnson, Grand Junction, Colorado; W. S. Keeline, Council Bluffs, Iowa; Clement B. Lewis, Salem, Oregon; B. F. Moomaw, Cloverdale, Virginia; N. R. Peet, Rochester, New York; R. B. Peeters, Devore Ranch, Devore, California; Gray Silver, Martinsburg, West Virginia; C. E. Stewart, Tampa, Florida; William H. Stites, Henderson, Kentucky, and Dr. O. E. Winberg, Silverhill, Alabama.

During December, 1921, the author had a talk with Mr. E. A. Ikenberry, of Independence, Missouri, a member of the Committee of 21, at his home concerning the proposed work of the Committee and what was likely to be accomplished by it. The Committee had not, at that time, formulated any definite plan and Mr. Ikenberry did not, of course, divulge any information as directly coming from a member of the Committee concerning what it was doing. He did consent to discuss

some of the general work which the Committee would, in the course of its deliberations, consider.

"We have had a fine spirit of cooperation shown us from all parts of the country," said Mr. Ikenberry. "Of course, I am not prepared or in a position to say just what we shall do, but something good is sure to come out of the Committee's work. The primary thing we are trying to do is to study fruit production and our sales field.

"Many things will have to be corrected, and it is going to be hard to correct a number of them. One of these is orderly marketing. We all know, in our study of the cooperative marketing plan that the first thing to be done, as nearly as possible, is to secure orderly marketing of the farmer's products in order to prevent market glutting and a consequent depression of prices immediately following harvest.

"This is going to be mighty hard to accomplish in the fruit business. If one man were marketing all of the fruit, or the bulk of it, the whole thing could be worked out mathematically, but it will never be done, in my judgment, to the point a good many friends of the cooperative movement think it will be. But we can present the facts to the individual and acquaint him of market situations which will tend to cause him to practice a more orderly marketing. We must have a service bu-

reau to give this information to the individual growers.

"We must give attention to the transportation problem. Many abuses are practiced at the present time which we must correct or the fruit marketing business of this country will be seriously handicapped. A cooperative marketing plan should aid in solving these problems.

"The middle United States is interested in better standard of grades for fruit. It is rather unfortunate at the present time that grades are based upon the idea of individuals rather than upon different standards recognized by all and applied in different parts of the country. I expect to see a standardization of grades come out of the Committee's efforts.

"Another thing we need to do in the fruit line that will come out of the Committee's work, is to stimulate a consumption of fruit. A good many people look on fruit as a luxury. As a matter of fact, it is an essential and is as economical to buy as anything we eat. We must bring this fact before the public and I expect to see the Committee of 21 formulate a plan for national publicity to stimulate the consumption of all kinds of fruit.

"Of course, the margin between the price paid to the grower and the price paid by the consumer for fruit is too high. Cooperative marketing will

bring these two prices closer together, as it has done in other instances; it will increase the price received by the grower and not raise the price paid by the consumer.

"We need to establish fruit packing houses here in the Middle West. They are strong in the East as well as in the West. When the plan is finally presented and all of the things have been done for the fruit growing business which I have indicated, I expect to see the Middle West become more important than it has ever been in the fruit business.

"The fact is we can raise just as good fruit here as they can raise in the fruit growing regions; the people here in Missouri are coming to learn that the Missouri apple has a better flavor than the apple grown in the Northwest. A national cooperative fruit marketing plan will stimulate the production of more fruit in the Middle West because it will create a better market demand, better methods of marketing, will acquaint the producers here with what the market requires, and will generally elevate the whole industry."

Another major cooperative movement which has demonstrated its power to accomplish things for the shipper has been the various wool pools organized in the respective states where any considerable amount of wool is produced. We are

Fig. 16—DID IT PAY TO POOL WOOL IN 1921?

State Pool	No. Lbs. Marketed through 1921 Pool	Average Gross Price per Lb. for Total Pool	Average Net to Grower	Number Consignors to each Pool	Total Mktg. Cost exclusive of frt. and Assn. charges	Average price obtainable Local Way at Shearing time	Increased Price Received through Pool	Approximate date Principal Grades were sold
New York	1,022,510	.3648*	.33	3,000	.035	.18	153,376.50	Feb., 1922
West Virginia	97,491	.21	.19	500	.02	.15	3,899.64	Fall Months, 1921
Ohio	5,796,390	.2975*	.27	12,000	.0275	.20	405,887.80	Fall Months, 1921
Indiana	1,200,363	.215*	.18	3,818	.031	.14	48,014.52	Fall Months, 1921
Michigan	2,586,847	.22*	.18*	10,012	.03†	.17	25,868.47	Some grades held until Jan., 1922
Illinois	698,090	.213*	.1619	3,159	.03	.1365	17,731.48	Nov., 1921
Iowa	1,758,585	.208	.15516	5,617	.03	.13	44,346.00	Oct., 1921
Missouri	99,904	.218*	.173	238	.03	.14	2,396.83	Oct., 1921
Northwestern Missouri Pool	482,342	.17*	.145	950	.02	.14	2,411.21	Early Fall, 1921
Kansas	520,290	.171*	.116	1,128	.03	.095	10,926.09	Sept. and Oct., 1921
Texas	915,000	.23*	.1775	560	.035	.13	43,462.50	Fall Months, 1921
So. Dak. Fleece Wool	385,874	.206*	.146	708	.03	.11	13,891.46	Oct., 1921
So. Dak. Range	263,918	.270*	.219	....	.026	.15	18,210.34	Dec., 1921
North Dakota	375,600	.258*	.198	549	.03	.13	25,540.80	Feb., 1922
Wisconsin	116,570	.216*	.163	330	.03	.14	2,681.11	Oct. and Nov., 1921
Wisconsin 2d Pool	49,547	.279*	.242	....	.020	.20	2,080.97	Feb., 1922
Minnesota	149,162	.20*	.146	424	.03	.12	3,878.21	Oct., 1921
Wyoming	1,073,663	.219*	.161	23	.025	.15	11,810.29	Oct. to Dec., 1921
Utah	852,256	.3401*	.1728	106	.025	.14	27,954.06	Late in 1921 and early in 1922
Mont. Wool Acceptance Co.	1,518,399	.2497*	.1929	324	.027	.16	49,955.32	Majority Nov. and Dec., 1921
Mont. Wool Growers Ass'n	1,402,790	.2675*	.2119	82	.0251	.16	72,804.80	Majority Nov. and Dec., 1921
Pacific Co-op. Wool Growers Ass'n	931,863	.215 (Except Braid)	.185	1,800	.025	.1575	2,562.23	Late months of 1921 and early in 1922 Some low grades still on hand
Grand Total	23,298,856	.25008	.2078	45,346	.02865	.1618	1,013,549.13	

NOTE: I. * F. O. B. Warehouse. * F. O. B. Mill. † Marketing charge and net to grower estimated.

II. Compiled from information secured through questionnaire submitted to the various pool managers by the Director of Wool Marketing for the American Farm Bureau Federation. Calculation based on net weight sold to mills. No allowance for shrinkage, as some wools shrink in storage, while others gain in weight, due to climatic conditions.

III. Due consideration should be given in observing results quoted in chart to the time of sale, as the market has recently increased approximately 50%, also to the lower cost of handling range clips which average many thousands of pounds, while the fleece wool consignments average approximately 250 each.

—*Illinois Agricultural Assn. News Letter, April 30, 1922.*

giving a table herewith which shows the results accomplished by the total wool pools during 1921.

It will be noticed that the pools secured for the farmers more than $1,000,000 more than they were offered by their local wool buyers for their clip during the year. And the fact should be kept in mind that since the 1921 clip was sold prices have increased more than 50 per cent for wool; in other words, the bulk of the wool here listed was sold during the low ebb of wool prices.

Most of the states have wool growers' associations which handle the wool clip, consigning it to a warehouse maintained at some central market, where it is later sold direct to buyers for mills. The pooling plan is used and the farmer is paid for his wool when the entire grade has been sold, at the average price received for the grade.

This has caused some fretfulness on the part of the farmers who have had to wait for their money and has doubtless caused a good many to abandon the pooling scheme, but the increased price received as a result of the pooling is bound to win many back again. The strength of the movement will be recognized when it is taken into consideration that the pools handled 10 per cent of the nation's wool clip, even in the face of ruinously low wool prices at the start of the pool year and the dissatisfaction aroused by private dealers over

the results in the previous year. The success of the wool pool movement seems to be secure enough to warrant that it will steadily gain strength and influence on the market in the future.

Other cooperative projects being formed or in operation in various parts of the country range from a maple sugar organization in Vermont to a rice growers' federation in Arkansas. A recent news dispatch from Little Rock, Arkansas, characterizes the rice growers' project in the following words:

> Approval by the War Finance Corporation of a loan of $1,000,000 to the Arkansas Rice Growers' Cooperative Association, marks the beginning of the biggest cooperative marketing scheme Arkansas has ever known.
>
> With the money thus made available, the local organization members will take their crops from the rice fields through the mills to market and thus will totally eliminate the middleman. About 650 rice growers are members of the organization and they have on hand between 650,000 and 700,000 barrels of rice to be handled in this manner. The organization is growing rapidly.
>
> Officers of the organization are: B. E. Chaney, Stuttgart, President; Charles G. Miller, Lonoke, Vice-President, and H. C. Stump, of Stuttgart, Secretary. Mr. Stump Monday reported that the officers have not yet arranged their program, but that the association plans to lease two or three rice mills and mill the products grown by its members. The association also will take [illegible] product and offer it in wholesale quan[illegible]. The money loaned by

the War Finance Corporation will make it possible to export this rice.

The Arkansas Rice Growers' Cooperative Association has been selling rice grown by its members to the various mills. By leasing mills it will be possible to carry its own rice through the mills to the distributors ready for the table. Mr. Stump said the association would be ready to announce a definite program in a few days.

It is probable that advances will be made to banks in Arkansas in a few days by the local committee representing the War Finance Corporation, of which John M. Davis, President of the Exchange National Bank, is chairman.

The origin, purpose and progress of the Farmers' Union, another strong federation of cooperative business exchanges owned and controlled by farmers in various states, is set out in the following account published by the Iowa Farmers Union Exchange, and written by Mr. D. R. Ellis:

The Farmers' Union was started by Newton Gresham in Texas, in 1902. Mr. Gresham was a farmer living on a rented farm. Practically all the farmers of the South were struggling under a heavy debt—rates of interest were high and commissions were large. Cotton was the one and the only money crop produced. The speculators furnished the capital to grow the crop and when the crop was harvested bought it at their own price.

Mr. Gresham had long felt the grind of the mortgage system and realized the deplorable condition of the farmer but he knew that the farmer was helpless to change this system or better his conditions struggling alone, unorganized against the

organized speculators who controlled the money that the farmer must have to grow his crop and who priced the crop after it was grown.

These were some of the conditions that caused Mr. Gresham to call a meeting at the Smyrna schoolhouse in Rains county, Texas, on September 2, 1902, where nine of his neighbors met him and helped to lay the foundation for the greatest organization made up entirely of farmers the world has ever known.

The principle on which the organization was founded is very simple. Mr. Gresham believed that by joining forces with his neighbors they could accomplish things that were impossible when each worked alone. He felt that the farmer had problems in which only the farmer was or could be interested; peculiar problems which no one else could solve; problems that could be solved only through organization and cooperation of the farmers. These were the premises on which Mr. Gresham based his organization and time has proved his conclusions were sound.

From this small beginning the organization gradually spread to other parts of Texas, from there to other states, until today twenty-seven states have passed the 5,000 membership mark and have been chartered as organized states.

The organization is made up of the national, state, the county and the local organizations. The local is made up of fifteen or more male members. To organize a county requires five or more locals, and a state must have 5,000 or more members to secure a charter. The national organization is made up of the organized states, each organized state being represented at the national convention by one delegate for each 5,000 members or major fraction thereof. Thus the chain is made complete from the individual farmer to the national organization.

The organization being of Southern origin it naturally follows that [redacted] was the first to come in line. So

it was not until 1915 that the organization work was started in Iowa by Mr. O. F. Dornblaser of Texas, who was a member of the National Board of Directors. Monona Local No. 1 in Monona county, was the first local and was organized by Mr. Blair and Mr. Kepler, of Antelope county, Nebraska, working under the direction of Mr. Dornblaser, January 17, 1915.

The organization grew rather slowly at first; people like to be shown when it comes to going into a new organization, especially so when the main example of results sighted to recommend it were as far away as the state of Texas. But Mr. Dornblaser was persistent, as all successful organizers must be, and in spite of the doubting Thomases and those who were in sympathy, but who wished to wait and see how it would come out, he went ahead and organized until in the fall of 1917 it was found that this state had the required number of members for a state organization.

So on the 5th of October, 1917, a convention was called at Des Moines and a state organization was perfected.

The organization in Iowa has grown very rapidly since the state was organized and in less than four years from the time the first local was started in the state more than 13,000 farmers have enrolled. Women and young men above sixteen years of age also belong so that the 13,000 members in the state may really be taken as representing practically that many families.

The purposes of the organization are best told in the preamble and purposes as given in the constitution and by-laws.

In order to obtain a better and more direct market for all products of the farm and to eliminate unnecessary expense in buying our supplies, we have organized the Farmers Educational and Cooperative Union of America, Iowa Division.

To secure equity, establish justice and apply the golden rule.

To discourage the credit and mortgage system.

To buy and sell and assist our fellow members in buying and selling.

To educate the agricultural classes in scientific farming.

To teach the farmer the classification of crops, domestic economy, and the process of marketing.

To systematize methods of production and distribution.

To eliminate gambling in farm products by boards of trade and other speculators.

To bring farming up to the standard of other industries and business enterprises.

To secure and maintain uniform prices for grain, live stock, and other products of the farm.

The Farmers' Union is primarily the farmers' business organization. It seeks first through education, organization and cooperation to assist in solving some of the farm problems in which those not directly interested in farming are not and cannot be interested. One of the first things in this line is the marketing of farm crops. The Farmers' Union is interested in seeing as large a portion as possible of the price paid by the consumer for farm products reach the pockets of the producers.

To assist in this work the organization has been instrumental in establishing cooperative elevators and shipping associations in Iowa. These elevators and associations are organized on the true cooperative plan. Interest not to exceed a fixed rate is paid on the capital invested, a sinking fund is set aside to meet unexpected losses and the balance of the profits are returned to all Union members who patronize the business, according to the amount of their patronage.

By this plan each Union member who patronizes a Union cooperative elevator receives terminal market prices for his grain less the actual handling expenses.

To eliminate unnecessary expense between producer and consumer not only applies in case of the products produced on the farm, but the farmer is equally affected by unnecessary middlemen, who levy tolls on goods between the factory and the farm. To eliminate this waste the Farmers' Union promotes the idea of cooperative buying. The members now own and successfully operate a number of cooperative stores and buying associations. These operate on the same true cooperative plan as the elevators. Interest is paid on the money invested and trade dividends are returned to each Union member according to the amount of goods bought from or sold to the store. This plan enables Union members to buy their supplies at wholesale plus the actual distributing cost.

The Farmers' Union has gone further and perfected a buying organization for the systematic distribution of things used on the farm direct from the factory and producer to the Union members. This system is known as the Baker plan.

The Iowa Farmers' Union Exchange which is located at Des Moines, constitutes the buying head with local branches for the distribution of goods in towns over the state where the members are sufficiently organized and wish to maintain a branch.

The State Exchange places contracts direct with the factories and producer and by contracting for large amounts of goods, are able to get the lowest price possible. These goods are supplied to the Branch Exchange at actual buying cost and are sold by the Branch Exchange at about the same price as other retail stores in the town charge. At the end of the year if it is found that the Branch Exchange has made any profit after paying the members interest on the money which they have invested in the Exchange and setting aside a small amount to provide for any unexpected loss, the balance of the profit is returned to the Union members who patronize the business according to the amount of business done.

Where members do not have a Branch Exchange or prefer to deal direct with the State Exchange goods are supplied from the State Exchange. If at the end of the year profits are made on this business after paying interest and providing for the sinking fund this is returned to the Union members who bought goods direct from the State Exchange according to the amount of business they have done. On this plan each Union member who patronizes the State Exchange or the Branch buys goods at the factory cost plus just what it costs to distribute the goods through the department that he has patronized. He pays only for the service and accommodation which he gets. By this plan all of the buying is handled by the State Exchange. There are no traveling men. The accounts are all kept by the State Exchange whose books are audited from time to time by a public accountant.

The big advantage of the Baker plan over that of individual local stores is the increased buying power that it gives. Where the State Exchange is able to place a contract for goods to supply several thousand members they are able to go direct to the factory and to get the same price that the factory would ordinarily make to jobbers who handle goods in large quantities. Where the local store supplies goods to perhaps 100 customers and buys in medium size quantities it is forced to buy from traveling salesmen and wholesalers and consequently must pay their expense and their profits. In addition to the large buying power which the Baker plan gives the organization it establishes a uniform system of bookkeeping and auditing. The manager of the Branch Exchange does not know what day an auditor may call on him to check over his accounts. In addition to this each Branch Manager is required to make daily reports to the home office. It also establishes co-operation among the different exchanges and a uniform meth-

of handling the business. It works along the same plan as the chain stores which have been so highly successful.

The Iowa Farmers' Union Exchange has been in operation since January 1, 1919, and during the first six months or period just closed the business has grown very rapidly. The first four months the business doubled each month over that of the previous month. During the months of June and July the business run $100,000 per month. In the neighborhood of 800,000 pounds of binder twine was sold to Union members. It is difficult to estimate the saving which the Exchange made to the members on this twine as it is difficult to determine just what the price of twine would have been had the Farmers' Union not handled it. In some places in the state twine was quoted at 27 cents per pound, and when the Union shipped in twine the price at local dealers dropped to 23 cents per pound. In this case those outside the organization were saved at least four cents per pound on their twine, while those in the organization saved five or five and one-half cents per pound.

The State Exchange handles the state agency on the Madison or Old Fuller and Johnson line of tillage machinery. These goods are bought direct from the factory and are supplied direct to the Union members. A 13-inch gang plow which the retail dealer charges from $120 to $130 this year was sold by the Exchange for $96.30 or a saving of from 20 to 30 per cent. It is difficult to estimate the exact saving in dollars or in per cent as this varies in different communities according to the competition which the local dealers may have, but the saving on all lines including machinery, groceries and clothing is large, and will increase, as the volume of business which the Exchange handles increases; the maximum saving can only be made when the Union is in position to contract for the entire output of a factory.

One of the deplorable conditions which is fast becoming more apparent, is the lack of sociability among the farmers. Each farmer is independent of his neighbor and in many cases he may scarcely know neighbors who live only a few miles away. This especially is true of renters who move from one neighborhood to another almost every year. The Farmers' Union is changing this condition.

The local union is the rural social unit. It furnishes the machinery by which the rural social gatherings are promoted and conducted. The various locals have local entertainments in their school houses, churches and halls. These are in the form of musical programs, recitations and readings, ice cream socials, debates and public speaking. These meetings are educational as well as entertaining and tend to build up Iowa Community spirit. In the 350 locals in Iowa just such meetings as these are held every two weeks.

Then there are the Union picnics. More Union picnics have been held this year than ever before. Through the Farmers' Union the farmers are working out their own social problems. These gatherings furnish the much needed entertainment for the country young folk without the undesirable features which very often are found when the young people are compelled to go to the town and cities for their entertainment.

The Farmers' Union is working constantly for improvement in the rural educational system. It is working for consolidated schools and high schools, and short term schools where the country boy and girl may be taught those things which will help to fit them for their life work on the farm.

The state organization has a number of organizers, speakers and lecturers which it sends out to assist in forming new local organizations. These are men who from their wide experience in cooperative business concerns are especially fitted to assist

in the formation of business associations. There are also a number of men who have had wide experience in rural educational work. These are sent out without additional cost to assist the members in improving their schools.

Though the organization is strictly non-partisan and does not indorse any political party or candidate, yet it is very much interested in good government. To aid in this work a legislative committee is maintained, its duty being to work for the principle of the legislative program as adopted by the state convention each year.

By organizing and cooperating farmers who have long been the joke and stock-in-trade of smooth politicians, are able to make themselves felt even in legislative halls.

Only actual farmers are admitted. Women and minors are admitted free.

To form a local requires fifteen or more male members, although eight members may secure a charter by paying the membership fee for fifteen. A membership fee of $2 is charged each member. After the first fifteen or charter members join, half of the fee remains in the local treasury.

The yearly dues are $3 per member. Of this $1.20 remains in the local treasury and $1.80 goes to the state treasury.

National dues, sixteen cents.

Iowa Union Farmer, which goes to each paid member, 65 cents.

For general expense, 99 cents.

Out of the 99 cents for general expense is paid the office rent, telephone and telegraph fees, salaries of organizer, secretary-treasurer, and per diem expenses of the president, board of directors, executive committee, legislative committee and other committee meetings, supplies for locals, postage and all other incidental expenses.

After this is all paid there is still a nice amount in the treasury which can be used for any purpose seen fit by the Union. A nice amount was invested by the Board of Directors in Liberty bonds.

PART IV

THE FUTURE

CHAPTER NINETEEN

Political Aspects

There has been much concern in certain quarters over the political aspects of the farm cooperative movement; concern to the professional politician and to those invisible interests popularly described as being behind the political scenery of the nation quietly manipulating things to their own advantage.

Those who have trifled with the farmer in the past; those who have made easy promises to him which were as easily forgotten after the votes were counted and the election was over, have every reason to be concerned. The American farmer is a great cross-section of that type of national citizenship described by Lincoln when he said: "You can fool all the people some of the time, and some of the people all of the time, but you cannot fool all of the people all of the time!"

The American farmer, particularly the Corn Belt farmer, has been frequently fooled in the past, so far as politics are concerned; at other times he has been deliberately sold out by men whom he had come to trust through long years of association and confidence. He is rapidly coming

to the parting of the ways, politically, and this conviction and determination in him has been born largely as a result of the farm cooperative movement.

It is but natural that some such conviction should inevitably grow out of a great movement such as the farm cooperative movement. The unity of action first secured through the farm cooperative movement along an economic line was certain to suggest to the farmer that if unity and common purpose would accomplish results to his betterment economically, a unity of action politically might undo some of the political wrongs which had been inflicted upon him in the past through either his own misfeasance or nonfeasance.

An adventure into the business world successfully undertaken through the sole medium of common purpose was bound to give the farmer an insight into practical politics; indeed, the mere association together of large numbers of farmers in organizations and clubs was bound to arouse an interest in and a practice in practical politics. The inevitable result of a strong class organization or trade or craft organization, is to give the leaders of those organizations, if not the members, a strong class consciousness.

The American farmer, if he continues to strike out along the cooperative pathway in the future, is going to become more and more class conscious. This is natural and entirely proper. It is the history of social movements in this and other ages that no class has ever achieved any substantial position in civilization that did not have this consciousness of itself and its mission in life.

We do not subscribe to the concern expressed by many politicians and business interests that there is something to fear in the class consciousness of the American farmer. In the first place, we are willing to take into account the caliber of citizen the farmer is; we have learned from innumerable instances in the past that he is a thorough-going American and as deeply rooted, if not more deeply rooted, in the principles of American institutions than any other member of other classes or stations of life. The defenders of the embattled liberties of mankind have ever been the farmers, the tillers of the soil, and this holds true from Cincinnatus on down to the present hour.

Then, again, the American farmer is asking nothing that should not have been accorded him long ago. He is not unfair; all he asks is a square deal. Never in the history of the world has a "class" been so fair in its attitude as the farmers have been in their attitude, politically at least,

and the demands they have made for relief at the hands of the legislative authority of this nation. It is seldom indeed that a class has made a request which was tempered in advance with a common desire to seek nothing that would not reflect to the benefit and prosperity of the entire nation.

President J. R. Howard of the American Farm Bureau Federation, one of the important farm organization movements, made the following statement in a speech at St. Paul, Minnesota, on January 3, 1922:

"Much has been said of late regarding class legislation and the development of class consciousness. No organization has been more pronounced in opposition to either than has been the American Farm Bureau Federation. Repeatedly we have said that there is but one interest in this country and that is the interest of the whole American people. Time and again we have asserted our interest in and our dependence upon transportation lines and facilities, manufacturing establishments, distributive institutions, as well as the American laborer and the consumer in general. We have called the attention of all classes of our citizenry to the fact that no one of us can permanently prosper without all of the others also prospering. We have endeavored constantly to look across our own line fences and to study the

other man's problems. I want to assert plainly that the American Farm Bureau Federation has not knowingly or wittingly, and never shall, advocate any policy which is not for the well-being of all our various interests.

"The farmer, with the dweller in the small town whose interest is rural rather than industrial, constitutes, according to census reports, practically one-half of our population. He produces that which sustains the entire population. He is not now nor never has been a hoarder of this world's goods. The money which he receives for his crops does not go into tin cans to be buried in the back yard. It goes directly into the channels of trade for the payment of labor and necessaries of life, for interest and for the maintenance of our public institutions.

"The farmer's income creates the bank balances of the nation. If his prosperity were doubled or trebled, the prosperity of industry and commerce and transportation would be likewise enhanced. The fact is self-evident. Every thinking man admits it. How, then, under heaven, can that which would help bring prosperity to the whole people of the nation through the building up of the prosperity of our basic producers, be termed class legislation? Is the farmer to continue to develop improper standards of living?

Is he to educate his children and continue to send a part of the brightest into the cities to become leaders of commerce and finance? Is his purchasing market to be of continuing importance in the trade channels of the world? Or is he to be reduced to serfdom and peasantry?

"These are the questions which underlie any discussion of the farmer's class legislation or development of class consciousness. These are the questions vital to the perpetuity of our democracy. The agricultural bloc, then, in advocating such a program is not a menace. It is a national asset. If it seemingly runs counter to established thoughts and established customs, it should not be condemned unless those new things which it advocates can be proven to be detrimental to public welfare. If it serves, in this crisis, as I believe it does, the well being of the vast majority of Americans, it should be hailed as a land-mark in national progress."

The farm cooperative movement is certain to immeasurably increase the political power of the American farmer. Not that the movement will go off on a tangent in the form of the organization of a Farmers' Party or a distinct political movement organized as such, as the farmer has learned the folly of such a program in his earlier experiences along this line. The Populist and other

political party movements have taught the farmer that there is no large result to be attained in such efforts. It is not through partisan movements that the fullest strength of class efforts is attained.

The farm cooperative movement has admittedly performed one valuable service for the farmer and that has been to acquaint him of the advantage of community effort; it has tended to wipe out old lines of cleavage and to impress upon him the disadvantage of his old tendencies toward individual thought and action. It has taught him the marked advantage, on the other hand, of common effort and unison for the things which will improve and secure his economic and political standing in the community. Naturally, this has taught him that old lines of cleavage and party fealty are not as important as the results to be attained by the new allegiances.

In other words, as the economic problems have been solved or found capable of solution through common effort and purpose, it is inevitable that he should be deprived, eventually, of his party fealty and partisanship as political redress is necessary, as he was deprived of his individualistic tendencies in order to secure economic surcease.

The agricultural bloc movement in the Congress of the United States is but a confirmation of this thought. These gentlemen in Congress have recognized the growing political consciousness of the American farmer arising out of his cooperation in economic lines, and have merely anticipated what he was bound to secure eventually through the orderly working out of the forces set in motion.

Much has been said and written about the agricultural bloc. But whatever its critics have thought or said about it, the fact remains that it has come to be the accredited representative in the national Congress of the farmer in his newer consciousness of political power. How long it will continue to be his accredited representative depends upon its faithfulness in standing for his purposes and ideals of common justice. The moment it ceases to interpret these ideals, that moment will it cease to be of interest to the farmer, and properly so.

Some dispute has arisen over the manner in which the bloc was originally organized. Certain farm organizations have resorted to petty squabbling among themselves seeking to secure credit for its organization. Whatever the facts may be, it seems beyond contravention that the original idea arose in the minds of certain members of

Congress, among them being Senator LaFollette of Wisconsin and Senator William S. Kenyon of Iowa—the latter having been selected as the first leader of the bloc, but who has since resigned to become a member of the Federal Circuit Court.

The membership of the agricultural bloc in both houses and the particular work to which they were assigned, is as follows:

IN THE SENATE

Federal Reserve Act:

Ellison D. Smith, South Carolina.
Frank D. Gooding, Idaho.
John B. Kendrick, Wyoming.

Transportation:

Robert M. LaFollette, Wisconsin.
Duncan U. Fletcher, Florida.
Morris Sheppard, Texas.

Adequate Warehousing and Storage:

Geo. W. Norris, Nebraska.
Joseph E. Ransdell, Louisiana.
Arthur Capper, Kansas.

General Agricultural Measures:

E. F. Ladd, North Dakota.
J. Thomas Heflin, Alabama.
William S. Kenyon, Iowa.*

* Resigned.

Other Members of the Senate Bloc:

Charles L. McNary, Oregon.
Peter Norbeck, South Dakota.
John W. Harreld, Oklahoma.
Andrieus A. Jones, New Mexico.
William J. Harris, Georgia.
Henry F. Ashurst, Arizona.
Nathaniel B. Dial, South Carolina.

IN THE HOUSE

Transportation:

Homer Hock, Kansas.
Fred B. Genard, Pennsylvania.
John W. Summers, Washington.
John H. Smithwick, Florida.
Philip B. Swing, California.
L. J. Dickinson, Iowa.

Taxation and Revenue:

Edward T. Taylor, Colorado.
William Williamson, South Dakota.
O. B. Burtness, North Dakota.
Edwin B. Brooks, Illinois.
William C. Linkford, Georgia.

Tariff:

C. B. Hydspeth, Texas.
Robert E. Evans, Nebraska.
Richard N. Elliott, Indiana.

John D. Clarke, New York.
F. B. Swank, Oklahoma.

Miscellaneous:
Burton L. French, Idaho.
Chas. A. Christopherson, South Dakota.
John C. Ketcham, Michigan.
Roscoe C. Patterson, Missouri.
Ladisla Lazare, Louisiana.
Chas. I. Faust, Missouri.

Financial:
A. P. Nelson, Wisconsin.
Frank Clague, Minnesota.
James G. Strong, Kansas.
James H. Sinclair, North Dakota.
Guy L. Shaw, Illinois.
Henry B. Steagall, Alabama.

The membership of the bloc is constantly being increased, as the members of Congress discover its popularity back home and a desire to get on the "band wagon" manifests itself.

The bloc has demonstrated a power to accomplish results and has been a constant source of worry and chagrin to party leaders on both sides. In the main, they have had to submit gracefully and pass legislation which, in some instances, the farmer has attempted in vain to pass after decades of effort.

The future political aspects of the farm cooperative movement cannot be anticipated. It seems certain that whatever the need of the hour, the farmer will be in an increasingly important strategic position to secure such legislation and other political consideration as may be necessary.

The American farmer has held the balance of power in politics all these years, but it was an unconscious power. He is beginning to realize that fact today and he has commenced to assert his birthright. But he has been fair in his demands; he wants nothing that will not reflect to the benefit and prosperity and well-being of the whole American people. He has demonstrated that in the demands he has made in the past year.

We welcome the entry of the farmer into practical politics. We believe he can do much to elevate the standards of American politics and purge it of elements now antagonistic to the best interests of the American people. He can at least set the current running in that direction, if he will.

CHAPTER TWENTY

The Cooperative State

The bare snatches we have given the reader of the farm cooperative movement have been unavoidable. It is to be regretted that lack of space makes it impossible to enumerate each cooperative organization, and in detail. But the very magnitude of such a task from the reader's standpoint alone would discourage all attempt to understand the situation.

The snatches we have been able to bring to the reader's attention will serve the same purpose and in a more useful manner, if they have not obscured the reader's mind to the movement as a whole; if they have not failed to arouse in his mind speculation as to the kind of a civilization awaiting a state or a people thoroughly organized under the cooperative principle.

Is such a day likely ever to come upon us?

It cannot be said. It is not unlikely—and there is a big IF—. If we do, at some stage in our progress, enter into a pure cooperative state, where the farmers and producers of our raw materials and more crudely manufactured products coming from the soil, succeed in taking over the

marketing and distributing of their products, we do not believe it shall be such a terrible condition of affairs, after all.

Many people look forward to that condition of affairs in much the same spirit that they look back upon a nightmare. They shudder over some imaginary ghost which rises up before their eyes. In the case of the farm cooperative movement, the particular ghost is the old familiar goblin of "Socialism."

It is ever popular to decry all new and reform movements by calling them socialistic. If a man proposes a new plan for handling a certain industry, those most likely to be bumped on the shins by the plan, immediately make the welkin ring with their cries of "socialism!" and set the thinking standards of the masses by such prompt and early christening of the movement.

The farm cooperative movement has not escaped this same sort of doubtful compliment. Never has an attempt been made in this country to discredit a simple business movement on the part of a certain class of business men that has been made in the case of the farmers. They have hardly gotten their heads together for a social club but that certain "interests" have been terribly exercised over the "threat" contained in the movement.

If a few members of Congress, after decades of legislating for the benefit of this, that and every other class of business interest in the land, decide to do something to help the farmer—instantly the hue and cry is raised and even the President of the United States is moved to say something about the dangers of "class" legislation!

We are not attempting to hold a brief for any particular movement the farmers have started the past few years of a political or social nature. We are not primarily interested in farmer organizations in this book; we are speaking solely from the standpoint of the farmer-owned and controlled business organizations, which are entirely distinct and apart from the great bureaus, unions, and clubs which have been started.

To say that the farm cooperative movement is socialistic in principle is merely to reveal the ignorance of the accuser both of socialism and of cooperation. There is no more persistent foe of socialism in all the land than the American farmer; and there is no more substantial citizen, in all the cross winds of political hurricanes that harass the land, than the farmer. He has never been stampeded away from the institutions of the fathers; he will be the last to take up the firebrand and join the mob.

The reasons for his opposition to the doctrines of easy wealth are not hard to discover. In the first place, the farmer is out in the clear air and under the open skies where the opportunity is present for clear thinking; in the second place, he toils for the wealth he secures and he knows the value, in sweat and backaches, of every dollar that flows into his ken; in the third place, he is a property owner, and he stands for the protection and the preservation of the existing order; in the fourth place, he has intelligence, a fact it would hardly seem necessary to enumerate.

Though he may be patient and long-suffering, he will not stolidly stand for exploitation and "farming" at the hands of others. While he stands for the integrity and preservation of our institutions, he does not mean to say that they should go on unchanged from generation to generation, where experience demonstrates to him that changes are necessary. He will change, but to accomplish his changes he will not seize the firebrand or pull down the existing order in a chance that he may find the particular brick seeming desirable in his new structure.

Socialism has for its central thought the ownership of all property and wealth in common. It holds that all new wealth created should be divided equally among the citizens of the socialistic state

or held for the common good of all. The chief objection we all have to socialism and anything that savors of it is that fact that it would reduce everyone, so far as property is concerned, to a common level; it would destroy to a large degree ambition and individual initiative because it would deprive a man of his *incentive* to toil.

Whether this is a technical definition of socialism or not, it is the popular conception of the term and to charge that the farm cooperative movement is "socialistic" is to infer that it would either directly or indirectly accomplish these things. Such is not the case, for reasons which can be manifestly made clear.

In the first place, there is absolutely no difference between a farm cooperative business association and an ordinary private corporation for pecuniary profit, so far as the legal entity is concerned, *except the manner in which the profits or earnings are distributed.* In the case of the private corporation, you have an organization made up of thousands, even tens of thousands, of stockholders, who put their money into the institution and share in the profits. Here you have a *cooperation* in capital, and a share in the earnings in proportion to the amount of capital invested. If there is anything "socialistic" about this, it has never been agitated.

In the case of the farm cooperative association, you have a number of people interested in farming coming together for the purpose of marketing their products to better advantage, in much the same manner that private investors enter a corporation in order to better the earning power of their capital. These farmers and producers not only agree to cooperate in their capital by taking stock in their concern, as the stockholders in the private corporation do, but they further agree to cooperate in bringing their business to their own association. Indeed, some of them may furnish all of the capital necessary to transact the business and only a small part of the patronage, while others furnish little capital and a large part of the patronage. Do the stockholders receive the lion's share of the earnings or savings, as in the case of the private corporation? They do not. They are paid a fair return for the use of their money, usually five or six per cent, and that ends the matter so far as they are concerned.

The bulk of the earnings go to the patrons of the association, those who have furnished the volume of business regardless of capital invested, and these earnings are prorated according to the amount of business furnished! The only difference between these two forms of legal entities is a difference in name and a difference in the dis-

tribution of earnings. One is no more socialistic than the other.

If the farmers all cooperate together and market their live stock, does this constitute the socialization of the live stock industry? Hardly, because the man raising the best live stock in the greatest numbers continues to receive the most in the way of money paid him by the association; in other words, there is no attempt to divide the returns equally without reference to what was put in. In this way individuality and individual initiative is preserved as before. There is no difference between the old days when private buyers bought the stock and shipped it and now, save that the farmers have organized an association and hired a manager to do it for themselves, so far as the question of socialism is concerned.

Will the ultimate development of the farm cooperative movement to the point where the farmers are thoroughly organized in every community and in every commodity group, serve to create a condition such as might result from a socialistic movement? This all depends upon "which foot the shoe is on." Lines are bound to be shortened and a great deal of the present economic slack in our system of marketing and distributing will be taken up. It will "squeeze out" some unnecessary middlemen. It will not hurt the necessary

jobbers, retailers and others who are not duplicating effort in sending food products and raw materials from the farm to the consumer. It will, undoubtedly, remove much of the speculation now practiced in farm products of all kinds; it will remove the man engaged in a mere gainful occupation and put him into a producing position.

Eventually—again the Big If—if the farm cooperative movement continues to make the progress it has made the past ten years, the next ten, we expect to see the movement seriously adopted on a nation-wide scale on the part of the consumers. Then we shall see the consumers working along a common highway in an effort to meet the farmer and the producer; for cooperation holds out even greater promise to the consumer, in the visible results to be accomplished, than it ever held out to the farmer. But these are measures for the future.

The old criticism that cooperative effort cannot succeed for lack of management is fast becoming obsolete. Managers are being trained, and we have a number of farmer-managers of large cooperative associations who have demonstrated an ability to do business running as high as $50,000,000 annually and do it in the face of constant odds, and at a profit.

Management is going to come; in fact, young men are being trained in the management of cooperative enterprises in our agricultural colleges at this moment. In the not distant future, it will be the life-long calling of numbers of men specially trained in the work.

It is the author's undying conviction that some sort of a cooperative state is coming. Present movements may be pulled down, but it is the history of cooperation that the loss of one movement only strengthens and hastens the next. Present aspects may be materially changed, but in the end the ultimate result will be a cooperative state.

When that state comes, we need have no fear about the integrity of the institutions we all uphold. This is not a political movement; it is an economic movement. And the change will be made so gradually that millions of our population will never know it has been accomplished. There will be no tearing down or uprooting of existing agencies overnight; they will merely drop by the wayside one by one as they demonstrate their unfitness to compete.

And the cooperative state will be an efficient state. It will be a state founded upon thrift and upon economy, rather than upon the wastefulness that characterizes our life today. A better marketing system will result; there will be a more in-

telligent and orderly distribution of food products.

Best of all, American agriculture will have been saved to perpetuate this great nation. We will not be reduced to the condition of a food-importing nation because of the break-down of our agriculture. We will be a whole people and we will be a secure people. That will be the verdict of time concerning the farm cooperative movement. It will save the American farmer from annihilation under exploitation at home and cheap competition from abroad just as it saved the Danish farmer.

CHAPTER TWENTY-ONE

The Future of Cooperation

A great many people are not nearly so greatly concerned over the present magnitude and effectiveness of the farm cooperative movement as they are over the probable proportions it is likely to assume in the future. This does not apply entirely to certain business interests which are finding themselves directly in the path along which the movement is developing. There are many farmers in the country who are lukewarm in their feeling toward the cooperative idea because they are suspicious of it, or because they lack faith in its strength, or are frankly waiting for the day when it becomes a giant in commerce when they will gladly embrace it and accept the benefits it has secured. All of these people are asking themselves, What of the future?

At the present time there are two views of the farm cooperative movement, two radically different views. On the one hand we have a class of people who consider it a tempest in a teapot, which will "blow over" as soon as agricultural conditions better themselves and the farmer once more receives a good price for his products. These

people pin their faith upon the doubtful criterion of past performance. They have seen farmer organizations blaze up into the dark sky of agricultural depression, glow for a brief moment, and then pass out as a dawn of economic readjustment came again.

It is natural that they should look for the same thing to occur again. We do not pretend to say. But there is one fundamental error in comparing the present farm cooperative movement to prior farm organization movements. We have paid scant attention to the farm organizations in this volume for the reason that they do not appear to us to be nearly so vital and important as the cooperative movement, as applied to *business institutions.*

It is well-recognized that the chief causes of the recent agricultural depression were economic, rather than political or social. And the various farm organizations we now have or have had in the past have been essentially political and social in their purpose and aspect. It is true that many of the present farm cooperative business organizations have been fostered and launched by certain of the farm organizations, but we feel that this merely lends emphasis to our contention. It has been because the leaders of these political and social organizations have recognized the handi-

caps of a "cure-all" organization, where every effort is coordinated into one organization, that they have adopted this plan of separate and independent effort in the respective fields.

The farm cooperative business association is the child of the parent farm politico-social organization, but the day is rapidly approaching when the child will be bigger and a source of more potential good or evil than the parent organization.

Every great reform movement which the world has ever witnessed has been based upon some wrong or abuse. Many of the changes which have been wrought in the world's history could have been avoided had the causes been withdrawn or the abuses ended. And that has happened to many of the farm organization movements in the past. As soon as the cause was removed, and times got easier, the people forgot their high hopes and firm resolves and slipped back into the old order. This may, it is very true, occur so far as the farm organizations are concerned. Time alone can tell. But we consider it fundamental error to consider the farm cooperative business institutions fostered by these movements, in the same class.

The farmer as a business man, or the producer of farm products as a processor and distributor of his products, is an entirely different individual from the farmer who joins political and social or-

ganizations so long as his individual salvation demands it, and then lapses in his membership. As a business man, he has something tangible at stake. He has a cheese factory, a warehouse, a mill, an elevator or local stockyards, or a terminal elevator or commission house at the terminal market. His money is there and there will be his allegiance. Besides, he has learned one damaging thing; namely, that he can do business under the cooperative principle more economically than the old system of private middlemen admitted to be possible.

Once a man finds it profitable to transact a certain business, he is not going to lightly surrender the privilege to continue to transact that business. He may not be so mightily moved as to his social club or his political group, but he is going to hang on to the business organization because there is *profit* in it. And it is because the beginnings we have already had in the cooperative movement, particularly in the local movement, have brought these things so vividly home to the producers that we would hesitate to brush the whole movement aside with an idle gesture.

There is, on the other hand, another class of thinkers upon the farm cooperative movement. They consist of the thinking farmers, farm organization leaders and agricultural economists. They

feel that the farm cooperative movement marks the beginning of a new marketing order which will eventually revolutionize the whole existing marketing and distributing facilities in the business world. They are not sure as to time or place. But they are reasonably certain as to the ultimate outcome.

They believe that there has been a sufficient trial of the farm cooperative principle in business practice to demonstrate that it offers a new and effective tool with which the farmer can solve his economic problems, *if he will.* And they rely on the fact that ultimately he will become conscious of this fact and seize it and apply it to his advantage. For, while the farmer may be slow to move and slow to wrath, there is no denying the fact that he has the power to bring about the greatest industrial revolution the world ever saw. Representing more than 40 per cent of our population, he is at once the most numerous and the most vital class in all the land.

We incline to the latter view, so far as the strict business organizations are concerned. Where cooperation has succeeded in business it will never be surrendered. Indeed, it has not been surrendered in many communities, even through the years, where it was not a success! The farmer learns and accomplishes too much in the coopera-

tive organization, so much more than he can as an individual, that he prefers to hang on even in the face of the inevitable.

Of course, there are rocks in the pathway, many of them. And there are bandits and robbers behind those rocks. The farm cooperative movement has no path of ease before it. It must struggle every step of the way, but the struggle will not be so hard as it has been in the past, because a *beginning* has been made and in all reform movements that is the most important and vital thing.

The history of the farm cooperative movement has been literally covered with struggle and opposition. They seem to thrive on it, else they could never have endured. The wonder is that many of them have endured. There is, however, some advantage in opposition. It serves to keep the home folks together; it makes for fighting efficiency.

The future of the farm cooperative movement may be said to depend upon the following vital factors:

1. The temper and spirit of the cooperators.
2. The management selected.
3. Proper organization in logical trade territory.
4. Federation in principal commodity groups.
5. Adequate financing.

Any one of these factors can wreck the movement for the time being and defeat the whole project. That is well-recognized, and no one knows it quite so well as the advocates of cooperation themselves.

If there is any one thing which the American farmer has been educated upon the past five years, it is the principle of cooperative marketing. Even the president of the United States cannot address a speech to the farmers of the country without mentioning it and reaffirming the generalizations which the farmer has heard from every angle. Cooperation is the "issue" of the hour with the farmer, and the enemies of the movement can take slight comfort in the thought that his lack of education in the matter may lay him low.

Of course, the greatest weakness of the movement is the individual prejudices and jealousies which may be aroused. But in this respect, the American farmer is not more susceptible than the average business man. Business men are daily exhibiting the same brand of prejudice and jealousy of their fellows which has been used to characterize the farmer. But the cooperative movement, the farm organizations and the community work fostered by the World War have done much to sow the seeds of the cooperative *spirit*. This, every opponent of the movement will admit, will

defeat any effort to disrupt the farmer's cooperative organizations, if it ever secures any great currency among rural communities.

We can only say that the beginning has been made. There is no longer any doubts to be raised as to what the farmer can do. He can market his products cooperatively; market them more economically than the present system, and at a greater saving to himself and no increased cost to the consumer—if he will do it. He has the products; he has a sympathetic customer in the consumer, and he has the financial ability to propel his own canoe.

The matter rests entirely in his hands. If he is lulled into a sense of false security by the siren song of his opponents; if he becomes discouraged and disgruntled; if he loses his high hopes, his faith, his vision of the future of the agriculture of this country—then the fault will be his own. But whether he is now digging his own grave or building a monument that will endure for all time remains to be seen.

APPENDICES

APPENDIX A

U. S. Grain Growers, Inc., Contracts

GRAIN GROWERS' CONTRACT
Revised Form

THIS AGREEMENT made and entered into this..... day of ....., 19...., by and between

.....

.....

(Here insert name of Elevator Company or Grain Growers' Association with whom the Grower contracts)

a corporation (or) an association duly organized and existing under the laws of the State of..... (hereinafter referred to as the Elevator Company), and having its principal place of business at....., party of the first part, and the undersigned producer of grain as owner (entitled to crop rental), or as tenant, of land located in the County of.....State of ....., (hereinafter referred to as the Grower), party of the second part,

WITNESSETH:

THAT WHEREAS the Elevator Company is the owner of, or has contracted for the use of, facilities for weighing, grading, storing and shipping grain in the county aforesaid, and has by contract with the U. S. Grain Growers, Inc., (hereinafter referred to as the U. S. Association), appointed the U. S. Association, an agricultural organization, instituted for the purpose of mutual help and not having capital stock or conducted for profit, as its exclusive sales agent in the marketing

of grain of the members of said U. S. Association, in order to correct the present wasteful and uneconomic methods of handling grain, and in order that the said grain can be marketed and distributed on a cost basis; and

Whereas the Grower is a bona fide producer of grain by virtue of owning or operating farm land, is entitled to the ownership and control of all or a part of the grain produced thereon, and is a member of the U. S. Association; and

Whereas the Grower desires to sell, and the Elevator Company desires to purchase, or handle for sale, all the grain that shall be produced as hereinafter provided:

Now THEREFORE, the parties agree:

In consideration of the mutual obligations of the respective parties hereto, of similar agreements between other grain growers and the Elevator Company, of the outlays and expenses incurred, and to be incurred, by the Elevator Company in carrying out the purposes of this agreement, and in consideration of the benefits derived from the contractual affiliations of the Elevator Company with the U. S. Association:

Section 1. The Elevator Company agrees that it shall provide by ownership, lease or otherwise, facilities for weighing, grading, storing and marketing grain; that it shall receive and handle as hereinafter specified, or shall purchase at prices, and upon such terms, as are hereinafter set forth, all the grain hereinafter mentioned tendered to it by the Grower in accordance herewith; that it shall market all said grain through the U. S. Association according to the terms and conditions of the contract between the U. S. Association and the Elevator Company, which is attached hereto and made a part hereof as though copied herein.

This contract shall govern all the grain named in Section 23, which is controlled by the Grower, and produced upon land

described in the preamble of this agreement which he now owns, or shall hereafter own or operate during the life of this contract, and all such grain as he now has in possession, but not grain required and used by the Grower, or sold by him locally for local use for seed or feed, or sold otherwise with the written approval of the U. S. Association.

Section 2. During the life of this contract the Grower agrees to deliver and sell to the Elevator Company, or otherwise market through said company, all the grain covered by this contract, and grown upon the land above described, at a price to be determined as hereinafter set forth.

Section 3. It is hereby agreed that nothing in this contract shall deprive the Grower of control in any degree over his own acreage or production.

Section 4. This contract shall become effective with respect to its provisions concerning grain, 10 days after receipt by the Grower of a written notice to that effect by the Elevator Company.

This contract shall be in effect from such date to June 30, 1927, and shall automatically extend and continue in full force and effect as to each of the parties hereto from year to year, until the same shall have been terminated by either party as to any kind of grain in accordance with the following terms and conditions.

(a) Notice in writing of said termination must given by such party desiring the termination to the other party at least forty-five days, and not more than sixty days, prior to the close of the contract year, at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of such termination, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named; provided, however, such termination shall not affect any uncompleted sales or transactions or uncompleted obligations on current commitments between the parties hereto; nor release either from any indebtedness than unpaid or hereafter accruing under this contract.

Section 5. The title of the grain covered by this contract shall remain with the Grower, unless otherwise specified herein, until delivered at point of storage or shipment designated by the Elevator Company; at the time of such delivery title to the said grain shall pass to the Elevator Company when paid for, except when otherwise agreed upon by the parties hereto, except as to shipment by the Grower on consignment, in which case title shall remain with the Grower until sold by the U. S. Association, and unless some other arrangement shall be effected by mutual agreement between the parties at the time of the transaction, and provided further that the Elevator Company shall have the option as agent for the U. S. Association, to purchase the grain offered by the Grower for consignment, the price and terms of such purchase being determined by mutual agreement between said parties.

Section 6. Upon notice in writing to the Elevator Company by the Grower, the contract between the Grower and said Elevator Company may be transferred to such other elevator company affiliated by contract with the U. S. Association, as the Grower shall designate, upon such terms as the U. S. Association shall approve.

It is further agreed that the Grower may, from time to time, deliver his grain covered by this contract to another elevator company than the one executing this contract, provided the other elevator company has executed a contract with the U. S.

Association for the exclusive handling of growers' grain through that agency, and provided the condition of the roads or the inability of the Elevator Company to handle the grain because of lack of storage, or transportation facilities, renders it necessary.

Section 7. This contract cannot be assigned to any person except to the purchaser of, and in connection with the bona fide sale of, the land owned by the Grower at the time of the execution of this contract, or except as it may be assigned by one tenant to another tenant succeeding to the former in the operation of the land covered by this contract. In case of such transfer, this document may be filed with the Elevator Company, and a new contract may be executed in lieu thereof. Any other attempted assignment shall be of no force or validity whatsoever.

Section 8. This contract shall be terminated whenever the Grower shall for any reason be expelled from membership in the U. S. Association; but such expulsion shall not affect the rights and liabilities of the parties hereto as to the unmarketed grain then in the possession of either party.

Section 9. Whenever the Grower delivers any grain to the Elevator Company, he shall give the Elevator Company a signed statement showing what liens, if any, there are upon such grain; and the Elevator Company shall have the right to pay off all or any part of the said lien or liens in order to perfect further its title to the grain, and thereupon the said Elevator Company shall make proper deductions for the same from the proceeds of the sale of said grain belonging to the Grower. If the amount of said liens is excessive in the judgment of the Elevator Company, the Grower hereby agrees to pay off sufficient to reduce the same to the amount stated by the Elevator Company to be reasonable, or the Elevator

Company may handle said grain on the consignment basis, by and with the consent of the mortgagee.

Section 10. The Elevator Company agrees to observe and perform such rules and regulations covering the inspection, grading and weighing of grain as may be established by the U. S. Association not in conflict with state and federal rules, regulations and statutes.

Section 11. From time to time, upon the reasonable request of the Elevator Company, the Grower shall furnish such crop and statistical data as requested, on the forms provided for that purpose by the Elevator Company or the U. S. Association. The Elevator Company, upon the reasonable request of the Grower, shall furnish the Grower for his use such information concerning market conditions and quotations as it shall have in its possession.

Section 12. The Elevator Company shall pay, and the Grower shall accept as payment, for any and all of the grain covered by this contract, a price to be determined by one of the methods described in Sections 13 and 14, as the Grower may elect. The said right of election applies to each kind of grain separately.

Section 13. METHOD A, *Individual Sales Method.*

The Grower shall sell to the Elevator Company any grain covered by this contract which is not otherwise provided for by a valid election of the said Grower, in accordance with either of the following methods, Method A-1 or Method A-2, or by any other method mutually agreed upon which is in harmony with the other provisions of this contract. The Grower shall declare his choice of method at the time of the delivery of the grain to, or upon the order of, the Elevator Company.

A-1. He may sell for cash at a price offered by the Elevator Company.

It is expressly understood and agreed that the Elevator Company may resell grain so purchased from the Grower through the U. S. Association at its own discretion in respect to time, place and quantity, and without regard to the action of other companies or individuals employing the U. S. Association as a sales agent.

A-2. The Grower, singly or jointly with other growers, may consign grain through the Elevator Company for sale by any method by the U. S. Association, in which case control of time of delivery, shipment and sale shall remain with the Grower, and the net proceeds of sale, less deductions for costs of handling, as hereinafter provided, shall be returned to the Grower. This is without regard to the action of other individuals and companies employing the U. S. Association or Elevator Company as sales agent.

The Elevator Company is hereby exempted from liability for losses in handling, storing, shipping and marketing grain committed to it on the consignment basis, where the negligence of the Elevator Company is not the proximate cause of such loss or damage.

In all shipments by the Individual Sales Method, the U. S. Association shall act solely as sales agent for the Grower or the Elevator Company, and shall exercise no power of regulation or control over time of sale, time of shipment, destination, quantity of grain to be sold, or over the price at which the grain shall be sold, except as the Grower, under Method A-2, or the Elevator Company, under Method A-1, from time to time may, at their option, delegate to the U. S. Association authority to determine such questions as to individual transactions.

Inasmuch as the failure or refusal of the Grower to deliver to, and market and sell through, the Elevator Company the

grain governed by this contract will cause detriment and injury to the Elevator Company, will impair its efficiency and the obligations of contracts to which it is a party, and will increase its expense and liability to damage, all of which items it is impracticable and extremely difficult to fix with precision; therefore, if the Grower shall fail or refuse to market or to sell through or to the Elevator Company any grain covered by this agreement, then the Grower agrees to pay to the Elevator Company, and the Elevator Company agrees to accept, the following sums per bushel: wheat, 10c; rye, 10c; flax, 20c; and all other grain, 6c; for all grain covered by this contract which is sold, marketed or withheld by or for the Grower other than in accordance with the terms hereof, as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its value upon the adherence of each and all of the contracting parties to each and all of the said contracts. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the Elevator Company and the members thereof will suffer by reason of such refusal or default.

This option, described as Method A, whereby the Grower may sell individually to the local Elevator Company, is severable and distinct from the provisions contained in Method B, is dependent upon the consideration of the obligation of the Elevator Company to furnish facilities for the efficient marketing of grain through itself and affiliated companies and associations, upon the considerations stated in other sections (ex-

cepting therefrom Sec. 14) of this contract, and upon the consideration of the obligation of the Grower to sell all his grain covered by this contract to or through the Elevator Company; and the validity and binding effect of the provisions contained in this Section (13) shall in nowise be dependent upon, or related to, the provisions contained in Section 14 of this document.

All the provisions of this contract, save those contained in Section 14, shall apply with full force and effect to the sales of grain governed by this Section entitled "Method A."

Section 14. METHOD B, *Pooling Method.*

B-1. *Local Pool.* (a) The Grower may agree to have all of any kind of grain delivered by him to the Elevator Company comingled and mixed with grain of like kind and grade delivered by other growers, and the same sold during such period of time as may be agreed upon between the growers, provided storage and transportation facilities shall permit, in which case he shall receive, as payment, the average price secured for all grain of like kind and grade so comingled and sold, less deductions for costs of handling, as hereinafter provided, and subject to such equitable differentials as said company may find necessary to establish. The various lots of grain sold under this method shall be known as pools. There may be established as many pools of grain as there are kinds and grades of grain to be handled. The pools shall include all the commitments for any one year.

(b) The price on the grain delivered by the Grower shall be uniform with that paid other growers regardless of any variations in the price received from such sales for the several products of like kind and quality, subject to the differentials applicable, and deductions for the cost of handling.

(c) On or before the first day of May of each calendar year all the growers tributary to the Elevator Company and signing

this or other similar contract with the Elevator Company, who have elected to participate in the pooling of any kind of grain, may choose from among their number a committee of three, to be known as the Local ..... Pooling Committee (stating in the blank the kind of grain), hereinafter designated the Local Pooling Committee, which committee shall exercise complete control over the handling, shipping and selling of all pooled grain, determining the time, quantity and destination of sales, and effecting all necessary contracts and other arrangements for storage, etc., which may be deemed necessary for the efficient marketing of said grain; provided, however, that these provisions do not apply to "joint pools," Method B-2, where the U. S. Association shall be in control. The person designated by the Local Pooling Committee to have charge of the handling of grain that is pooled and the proceeds of the sale of same, shall file a bond with the U. S. Association as trustee for the growers joining in the pools subject to their jurisdiction; the said bonds shall be in such form, and amounts, and with such sureties as required by the U. S. Association, guaranteeing the faithful performance of the duties of the said committee and the person so designated. The U. S. Association, on request, shall furnish all necessary plans, contracts, forms, etc., for the proper handling of the pools. The aforesaid Local Pooling Committee, at the option of the majority of said committee, may delegate its powers to the Elevator Company, or other agency, on condition that the grain is marketed through the U. S. Association.

(d) The purpose of these provisions is to secure control over the pooling of any kind of grain in the hands of those who pool. If satisfactory arrangements cannot be made with the Elevator Company for handling the pooled grain, then the said Local Pooling Committee, or committees, handling one or

more kinds of grain, shall have the privilege of contracting for the storing and handling of the said grain or grains through any other elevator or warehousing company or agency as they may determine, without any regard to any conflicting provisions in this contract; provided the other agency handling the same shall have a contract for the exclusive marketing of the said grain through the U. S. Association.

In the election of said Local Pooling Committee each of the said growers shall have one, and only one, vote. The period for which said Local Pooling Committee shall be chosen shall be the period which will include all the pools of that kind of grain for that year, or until their successors are elected and qualified. The compensation, if any, of said Local Pooling Committee shall be at the option of the growers so pooling their grain, and shall be paid by them pro rata.

(e) The Local Pooling Committee shall have authority to determine when deliveries of grain shall be made. A Grower may express his preference and the Local Pooling Committee will be guided thereby so far as practicable.

(f) The Local Pooling Committee shall weigh, classify and grade the grain delivered to the pools by the Grower; credit the Grower therewith, mingle or pool said grain with grain of like kind and grade delivered to the pools by other growers; and, at its discretion, clean, condition, blend or process the pooled grain to increase its value as food or as an article of commerce.

(g) The Local Pooling Committee shall furnish the Grower a "delivery ticket," and such other document as may be required, upon the delivery of his grain, which shall show the classification, grade and weight of the grain delivered, the pool to which it has been committed, and any advance payment made upon it, and other information that may be required.

(h) The Local Pooling Committee shall determine the grade and quality of all grain tendered in accordance with rules and regulations established by the U. S. Association for pooling purposes. Regardless of what grade shall be ultimately placed upon said grain at the terminal markets, the aforesaid grading by the Local Pooling Committee shall control the proportional distribution of the net proceeds from the sale of said grain among the growers participating in any pool.

(i) The Local Pooling Committee shall sell through the U. S. Association the grain so pooled, at such times, in such quantities, and for such deliveries, as the Local Pooling Committee shall deem advantageous, and at the best prices obtainable through the U. S. Association under market and transportation conditions, together with grain of like classification delivered to the pool by other growers who have signed this or a similar contract, and pay over the net amount realized therefrom as payment in full to the growers, according to the value of the grain delivered by each of them, due debit and credit being given for all deductions for cost of handling, differentials and adjustments made by the Local Pooling Committee.

(j) In order to compensate properly the holder of delayed shipments, reasonable carrying charges on different kinds and grades of grain may be fixed from time to time by the Local Pooling Committee, to be credited to growers selling on the pooling basis.

(k) The Local Pooling Committee may transfer pooled grain from the local elevator to terminal or other elevators for storage, or other purposes.

(l) The Local Pooling Committee is authorized to exercise, without limitation, all the rights of ownership over the grain covered by this contract; to mortgage, pledge or hypothecate in its name, on its own account, all such grain, or evidences of

the ownership or control of said grain, including bills of lading, warehouse receipts, etc. The Local Pooling Committee shall distribute said funds pro rata among the growers participating in the pool, or it may use part thereof for meeting expenses in the handling of the pooled grain.

(m) Any deductions or loss occasioned by the delivery on the part of the Grower of grain of inferior grade or condition, shall be charged against the Grower, and deducted accordingly from the proceeds going to the said Grower.

(n) Losses occurring in the handling, storing, shipping or marketing of pooled grain, not covered by paragraph (m), shall be charged against the pool and not against the individual Grower delivering the grain directly affected thereby.

(o) The Local Pooling Committee shall make as substantial an advance payment on the grain committed to the pool as, in its discretion, market and financial conditions permit, and as soon as practicable after its delivery.

(p) The proceeds from the sale of grain shall be paid from time to time, the final settlement being made within a reasonable time after the proceeds from the sale of all the grain in the pool have been received, and the deductions for costs of handling shall be determined.

B-2. *Joint Pool.* When a Local Pooling Committee has been created, as above described, it shall be authorized to elect whether the grain delivered under this contract—that may be pooled with the grain of other growers locally—shall be pooled jointly with grain of like grade and variety of the growers in one or more other companies. In case the Local Pooling Committee does so elect, then the undersigned Grower hereby agrees that all of his grain so pooled shall automatically become committed for sale under the joint pooling method on the terms and conditions above specified, and shall be sold in ac-

cordance with the provisions covering joint pools contained in the contract between the Elevator Company and the U. S. Association.

B-3. *Export Wheat Pool.* (A paragraph is being prepared covering a voluntary pool of one-third or the exportable surplus of the wheat crop, to be inserted at this place.)

Inasmuch as the failure or refusal of the Grower to deliver to, and market and sell through, the Elevator Company will impair its efficiency and the obligation of contracts to which it is a party, will increase its expense, and liability to damage, will hinder the collection of average prices on grain, to the detriment and injury of the other growers participating in the said pool, all of which items it is impracticable and extremely difficult to fix with precision; therefore, if the Grower shall fail or refuse to market or to sell through the Elevator Company any grain covered by this agreement, then the Grower agrees to pay to the Elevator Company, and the Elevator Company agrees to accept, the following sums per bushel: wheat, 10c; rye, 10c; flax, 20c; all other grain, 6c; for all grain covered by this contract which is sold, marketed or withheld by or for the Grower, other than in accordance with the terms thereof, as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its value upon the adherence of each and all of the contracting parties to each and all of the said contracts. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the Elevator Company and the members thereof will suffer by reason of such refusal or default.

In the event that it shall be necessary to enforce by judicial proceedings this contract as to grain pooled under Method B, the Elevator Company shall bring the action for the benefit of all growers who shall have committed their grain for handling under said method, and any damages recovered thereby shall be the property of said growers.

The Grower hereby elects to market his grain covered by this contract as indicated in Section 23, in accordance with Method B, during the period ending June 30, 1927, or the unexpired portion thereof. This election shall continue from year to year after said date, until revoked by written notice to the Elevator Company, which shall be given within sixty days, and not less than forty-five days, prior to the close of the contract year when the Grower desires this election to terminate.

The Grower reserves the right to make a similar election in the future on other grains if he so desires.

This contract to sell, described as Method B, whereby the Grower may pool his grain for sale, is severable and distinct from the provisions contained in Method A, is dependent upon the special consideration of the receipt of average prices from the sale of grain in the pool; and the validity and binding effect of the provisions contained in this Section (14) shall in nowise be dependent upon, or related to, the provisions contained in Section 13 of this document.

All the provisions of this contract, save those contained in Section 13, shall apply with full force and effect to the sales of grain governed by this section, entitled Method B.

Section 15. In the event that any one or more of the following methods, A-1, A-2, B-1, B-2 or B-3, which may be elected by the Grower, shall be lawfully cancelled or held to be illegal by a court of competent jurisdiction from which no appeal can be, or is taken, then, and in that case the Grower

shall have the option of electing one of the other methods named.

Section 16. The Elevator Company, for the sake of uniformity and in order to protect the Grower against the misuse of grain committed to it for sale under any of the methods described herein, and against the improper use of funds owing the Grower as the result of any pools established thereunder, agrees to be governed by and to use such receipts and accounting forms as may be prescribed and recommended by the U. S. Association, and that with respect to such grain to report to and accept accounting supervision by, the said U. S. Association.

The Elevator Company hereby agrees that all persons responsible for the custody of grain covered by this contract, or handling money derived therefrom, shall be adequately bonded, and that failing to require such bonds, the officers of the Elevator Company shall be personally liable for any default.

Section 17. *Deduction for the Cost of Handling.* On all grain governed by this contract, the Elevator Company shall be authorized to deduct from the proceeds of the sale of said grain the following:

(a) The amount charged by the U. S. Association for the handling of said grain, in accordance with the contract between the U. S. Association and the Elevator Company, attached hereto; and

(b) Such reasonable charges as may be established by the Elevator Company for handling, weighing, cleaning, storing or performing such other services in connection with the said grain as the Grower may request, or as may be authorized by the terms of this contract.

Section 18. It is mutually understood and agreed that the services rendered to the U. S. Association and all subsidiary

companies are to be rendered to the Grower at cost; that the deductions for the cost of handling made from the proceeds of the sale of grain are payments on account; and that at stated periods the operating expenses will be determined, and any excess may be returned pro rata to the Grower, or invested in facilities for the more efficient marketing of the grain. Annual reports of the said receipts and expenditures shall be made, and copy of same shall be furnished each contracting Elevator Company. Deduction certificates, or other evidences of the same, shall be distributed among the growers in accordance with the provisions contained in the contract between the Elevator Company and the U. S. Association attached hereto.

Section 19. On grain purchased or handled on the basis of a price to be determined upon the net resale value thereof, less deductions for the cost of handling, the Elevator Company, regardless of who holds title, shall be liable for any loss or damage in the handling and storing of said grain, which is due to the negligence of the said company, but not otherwise.

It shall be the duty of the Elevator Company to keep fully insured all grain held in storage.

Section 20. The Elevator Company authorized to contract under this agreement must be a farmers' cooperative elevator company paying patronage dividends and organized under the cooperative laws of the state where operating; or, where there is not such a law, then in accordance with the requirements of the U. S. Association as to the qualifications of a truly cooperative company.

In communities where there is a stock company farmers' elevator, the stockholders or directors of such elevator who are members of the U. S. Association may organize a grain growers association to become the local contracting body and supervise the handling and financing of members' grain. Where the

stockholders or directors of such farmers' elevator do not organize such grain growers' association, the U. S. Association shall make no attempt to organize such community prior to January 1, 1924.

Section 21. The Grower shall be permitted to market only that grain, under the provisions of this contract, which he himself, as land owner or tenant, has raised, or to which he is entitled from land which he may own and rent on the basis of a share of the crops raised thereon.

Section 22. If the standard form of contract between the U. S. Association and the Elevator Company, referred to herein, shall be changed as to administrative details or methods of transacting business, said change shall be deemed made in the form of said contract attached hereto, and this contract amended accordingly.

Section 23. The Grower elects to market in accordance with Method B, known as the "Pooling Method," the following grain covered by the foregoing contract: .....

The Grower elects to market in accordance with Method A, known as the "Individual Sales Method," the following grain governed by the foregoing contract: .....

Section 24. The signature of the Grower to this instrument shall be considered an application for membership in the U. S. Association, with which the Elevator Company is affiliated. The said Grower agrees to comply with all the requirements as to membership, subscribes and agrees to the Certificate of Incorporation and By-laws of the U. S. Association, the receipt of a copy of which is hereby acknowledged by the Grower; and the Grower further authorizes the use of any or all of the $10 membership fee, in hand, paid to the U. S. Association, to be used for organization, and other expenses incidental to the completion of the organization of the U. S. Association, the

creation of and ownership of securities in subsidiary and affiliated companies and other agencies, the securing of memberships, the acquisition of terminal warehouse facilities and for all other purposes authorized and deemed necessary by the Board of Directors of the U. S. Association for the immediate handling and marketing of grain and for the efficient organization of the grain marketing machinery contemplated in this agreement.

Section 25. No party, his agent, or other representative, has the right to vary the terms of this written instrument; and it is expressly agreed that no oral changes or modifications of the same have been made.

IN WITNESS WHEREOF, the parties hereto, after a full reading and consideration of the terms hereof, have executed this contract on the day and year first above written.

Post Office.....

.....

(Signature of Elevator Company or Local Grain Growers' Association.)
Party of the First Part.

Witness:.....

By.....

Witness:..... (President.)

.....

(Signature of the Grower.)
Party of the Second Part.

Wheat acreage (1921).....

Corn acreage (1921).....

Oats acreage (1921).....

The U. S. Grain Growers, Inc., hereby acknowledges receipt of the $10 membership fee from the above named applicant at the place and on the date last above written, and hereby admits the said Grower to membership. If, for any reason, the said

U. S. Association is not effected, or is not engaged in the actual sale of grain within two years from the date hereof, then the portion of the said $10 which is not expended shall be returned to the said Grower who executed the foregoing application for membership.

U. S. GRAIN GROWERS, INC.,
By .....
Agent.

Witness:..... ....., 1921.

The Grower lives in.....Congressional District, State of.....

The elevator is in.....Congressional District, State of.....

COOPERATIVE ELEVATOR CONTRACT
Revised Form

THIS AGREEMENT, made and entered into this.....day of ..... 19..., between the U. S. Grain Growers, Inc., a non-stock, non-profit corporation duly organized and existing under the laws of the State of..... (hereinafter referred to as the U. S. Association), party of the first part, and the ....., a corporation (or) association, duly organized and existing under the laws of .....(hereinafter referred to as the Elevator Company), party of the second part, *Witnesseth:*

In consideration of the mutual obligations of the respective parties hereto, of similar obligations between other elevator companies and the U. S. Association, of the expenses incurred and to be incurred by the Elevator Company in providing local facilities for weighing, grading, storing, handling, processing, and shipping grain; of the undertaking on the part of the U. S. Association to provide competent statistical, financial, and

other expert assistants, to establish crop and market news gathering agencies, and to acquire the use of marketing facilities for the purpose of providing an efficient cooperative marketing system for grain for the purpose of providing the producers with better credit and storage facilities which will tend to make possible a more even distribution of grain throughout the year, thereby tending to stabilize prices; and in order to reduce waste in handling, to encourage a more efficient production, to reduce transportation costs by more direct shipments from points of origin to centers of consumption, to make less frequent and violent fluctuations in prices due to speculation, and to reduce the excessive costs occasioned by the present wasteful, uneconomic system of marketing the grain crops of the United States:

NOW, THEREFORE, said parties agree as follows:

Section 1. The Elevator Company agrees to market through the U. S. Association all the grain committed to it for sale or shipment by members of the U. S. Association (hereinafter called the Growers) under the terms of a contract between the said growers and the Elevator Company hereinafter referred to as the Growers' Contracts).

Section 2. The U. S. Association agrees to endeavor to sell said grain directly, or otherwise, to millers, manufacturers, exporters, or others within or without the United States at the best prices obtainable by it under market conditions, in accordance with the terms of this contract.

Section 3. Any grain from growers covered by this contract that is in possession of the Elevator Company and unsold upon the effective date hereof may be committed for sale under this contract.

Section 4. The U. S. Association shall make rules and regulations for standardizing the manner of keeping warehouse records and accounts and for making reports required by the

U. S. Association; and the Elevator Company shall observe and obey all such rules and regulations and shall permit the examination or auditing of said records, accounts, and reports by the U. S. Association.

Section 5. The Elevator Company agrees to make reasonable requests of growers for such crop and statistical data as the U. S. Association may desire, and to transmit the same promptly to the said U. S. Association, using such forms for that purpose as may be provided by the said U. S. Association; and the U. S. Association, upon reasonable request therefor, shall furnish the Elevator Company for the use of the Grower, market news and other information in its possession concerning the values and market conditions of grains and related products in this and other countries.

Section 6. The U. S. Association may make rules and regulations and provide inspectors and weighers to standardize the methods of weighing, handling, storing, and shipping of grain, subject to this contract; and the Elevator Company agrees to observe and perform any such reasonable rules and regulations as may be prescribed by the U. S. Association not in conflict with state and federal rules, regulations and statutes.

Section 7. The Elevator Company shall report to the U. S. Association any lien or liens upon the grain covered by this contract, and the U. S. Association may, within its discretion, pay off all or any part of such lien or liens and deduct such payments and any costs connected therewith from the proceeds of the sale of such grain. The Elevator Company shall warrant the title to all grain committed to the U. S. Association for sale, except as to any incumbrances reported to the Elevator Company in writing prior to the time of shipment.

Section 8. Upon that grain which is committed to the Elevator Company to be sold on the basis of a price to be determined from the net resale value thereof, less deductions for the

cost of handling, the U. S. Association, within its discretion, may make advance payments as market and financial conditions warrant; provided, the Elevator Company shall fully protect the U. S. Association against losses thereby.

Section 9. It is understood and agreed that the U. S. Association may represent interests that under ordinary commercial conditions might be considered hostile.

Section 10. It is expressly agreed and understood that all debts of the U. S. Association shall be incurred in its own name and without responsibility therefor on the part of the Elevator Company, except when specific authority or approval of the same in writing shall have been given by the Elevator Company.

Section 11. The U. S. Association is exempted from liability for losses incurred in marketing and selling grain covered by this contract that are not due to its own negligence.

The Elevator Company shall be responsible for and charged with allowances, deductions or losses made or sustained by the U. S. Association arising from the negligence of the Elevator Company.

Section 12. *Joint Pools.* In consideration of the mutual obligations of the parties hereto, that the Elevator Company shall furnish the necessary facilities for local handling and shall sell exclusively through the U. S. Association the grain received from members of the U. S. Association, and that the U. S. Association shall undertake to supervise the joint pooling of grain as defined in the Growers' Contracts, and shall undertake to provide the facilities which may be reasonably necessary for the same, it is hereby agreed between said parties as follows:

(a) The Local Pooling Committee, as defined in the Growers' Contracts, shall receive, weigh, process, warehouse, and ship all grain committed to a joint pool by members of the

U. S. Association, subject to orders of the U. S. Association which shall be observed and performed insofar as the facilities available to the Local Pooling Committee reasonably permit. The U. S. Association shall classify all pooled grain by variety, quality, grade, or any other commercial standard and mingle or pool said grain with grain of like classification committed to the pool by other Local Pooling Committees participating therein.

(b) The U. S. Association may order the transfer of said grain to any elevator and direct the manner in which it is handled therein.

(c) The U. S. Association shall undertake to sell said grain, together with grain of like classification and grade committed to the pool by other Local Pooling Committees, at its own discretion in respect to time, conditions and terms, at the best prices obtainable by it under market conditions, collect the proceeds, and shall pay over the net amount received therefrom, as payment in full, to the Local Pooling Committees participating in the pool, according to the value of the grain contributed by each of them, after making deductions for the cost of handling and such other charges against said grain as are authorized by this contract, and also making such credits as may be due.

(d) The Growers under contract with the Elevator Company under the Growers' Contracts, participating in a joint pool, agree that their grain shall be so mingled and that the net returns therefrom, less all costs, advances and charges, shall be credited and paid to them on a proportional basis, considering all differentials and adjustments, out of the receipts from the sale of all grain of like classification.

(e) The pool shall be for a crop year, and payment shall be made from time to time, as rapidly as practicable, within the discretion of the U. S. Association, in due proportion until the accounts of the pool are fully settled.

(f) The U. S. Association may borrow money in its name on the grain through drafts, acceptances, notes or otherwise, on any warehouse receipt or bill of lading, upon any accounts for the sale of the grain or on any commercial paper delivered therefor.

(g) Losses due to failure of customers or banks and losses occurring in the handling, storing, shipping or marketing of pooled grain shall be charged against the pool and not against the individual Grower or Local Pooling Committee delivering the grain directly affected thereby, provided the said loss is not due to the negligence of the said individual or Local Pooling Committee.

The foregoing agreement as to the handling of joint pools is severable and distinct from the balance of this contract; and the terms and conditions stated elsewhere in this agreement do not depend upon any of the provisions contained in this section.

Section 13. *Deductions for the cost of handling.* The proceeds from all sales of grain made by the U. S. Association shall be paid by the purchasers thereof to the said U. S. Association, which proceeds shall be blended into one general fund; and the U. S. Association shall deduct from said proceeds such uniform amounts or percentages as shall be deemed necessary from time to time by the duly constituted officers or representatives of the U. S. Association, in order to meet all expenses properly chargeable to the handling of such grain; and also certain other deductions shall be made in order to provide special funds for carrying out the purposes of the U. S. Association. The deductions stated in the preceding sentence shall be described in this and all related contracts as: deductions for the cost of handling. The net proceeds from said sales above advances which have been made by a properly constituted authority shall be paid to those entitled to the same, in accord-

ance with the usual customs of the trade in handling such transactions.

The special funds mentioned in the preceding paragraph shall include those deemed necessary by the Board of Directors of the U. S. Association for the acquisition, by purchase, lease or otherwise, of the control over property to be used by the said association; the retirement of obligations incurred in the purchase of such property or in the operation of the business of the said association; the creation of reserves for such retirements, for renewals; and for any other expenditures which the said U. S. Association, its officers or agents, are authorized to incur.

So far as practicable all capital expenditures and interest charges on investments in marketing facilities shall be incurred by self-sustaining subsidiary, or affiliated organizations, and appropriate charges shall be levied against the grain using the facilities furnished by such organizations. All operating and capital expenditures, which are lawfully incurred in accordance with the powers and duties of the U. S. Association, shall be prorated fairly and justly in accordance with the judgment of the officers of the U. S. Association against the grain necessitating such expenditures; provided, however, that if the grain is sold on a grain exchange, and no other service of a substantial character is rendered by the U. S. Association, the total expenditures which shall be considered chargeable against said grain shall in no case exceed one per cent of its value, unless the standard charge for similar service shall be more than one per cent, in which case said total charges by the U. S. Association shall not exceed such standard charge. On other grain where facilities requiring capital investment are used, the maximum deductions for any one year from the proceeds of all sales of grain to be made for capital expenditures, interest charges, etc. (aside from ordinary operating, including over-

head expenses) in order to acquire the ownership or control over marketing facilities shall in no case exceed one per cent of the value of the grain so handled by the U. S. Association. The distinction, in accounting, between capital and operating income and expenditures, shall be in accordance, so far as practicable, with the rules adopted for common carriers by the Interstate Commerce Commission.

The amount of deductions for the cost of handling, as above specified, shall be estimated by the Board of Directors of the U. S. Association, and shall be so established as to yield as nearly as may be a sum of money equivalent to the operating and capital expenditures and reserves, and such other expenses as may be reasonably estimated as essential to be incurred by the U. S. Association, and its subsidiary organizations, for the ensuing year. In case a sum in excess of such requirement shall be collected during any fiscal year, it shall be set aside or invested to meet the obligations or needs of the future, for the use and benefit of the Growers; unless the same shall be relatively large and substantial, in which case the U. S. Association may distribute all, or a part of the same, to its members in proportion to the grain sold through the U. S. Association, at such time as it shall determine. And the Elevator Company, for valuable consideration, receipt of which is hereby acknowledged, waives all right, title and interest in and to any portion of such funds.

It is understood and agreed that this contract and the contract between the Grower and the Elevator Company provide fully and adequately for the equitable distribution of earnings made by the U. S. Association or its subsidiary organizations, and that any charges and deductions hereunder revert back to the benefit of the Grower through his membership in the U. S. Association.

The U. S. Association shall issue certificates to the Elevator Company indicating the proportionate amounts of the deductions for capital expenditures and of the excess from other deductions attributable to grain received therefrom; and the Elevator Company shall issue proportionate certificates based thereon to the member of the U. S. Association. Such certificates shall indicate a prorata interest in such deductions, distributable only in the form, at a time and in the manner determined by the U. S. Association. The said certificates shall be assignable freely by endorsement; but shall not be deemed as obligations of the U. S. Association with definite or other maturity, and shall not bear interest; and they shall not represent any obligations or rights, other than a proportionate ownership in certain assets held by the U. S. Association, which shall not be separable or subject to distribution during the life of the U. S. Association, except at the option of the duly constituted Board of Directors of the U. S. Association.

Section 14. *Term of Contract.* This contract shall be in force from its execution to June 30, 1927, and thereafter shall continue in full force and effect as to each of the parties hereto from year to year, until the same shall have been terminated by either party in accordance with the following terms and conditions:

(a) Notice in writing of said termination must be given by such party desiring the same, to the other party at least forty-five (45) days, and not more than sixty (60) days, prior to the close of the contract year, at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of the same, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named.

Provided, however, that this shall not affect any uncompleted sales or transactions between the parties hereto, nor release either from any indebtedness then unpaid or hereafter accruing under this contract, nor relieve the Elevator Company from its obligation to sell to or through the U. S. Association, nor the U. S. Association from its obligation to market and sell, as the agent of the Elevator Company, all of the grain committed to it or purchased by it from members of the U. S. Association that was grown during the preceding season or seasons subsequent to the execution of this contract.

Section 15. On all grain which has been delivered to and is under the control of the Elevator Company, and covered by this contract which the Elevator Company fails to market through the U. S. Association in accordance with the terms and conditions herein stated, the Elevator Company agrees to pay to the U. S. Association and said U. S. Association agrees to accept the following sums per bushel as liquidated damages: wheat, 5c; rye, 5c; flax, 10c; for all other grains, 3c.

Section 16. It is mutually understood and agreed that the U. S. Association has a special interest in the enforcements of contracts between its members and the Elevator Company and may bring action thereon in its own name, in the name of the Elevator Company, or in the name of the Grower, as the occasion may justify.

IN WITNESS WHEREOF, the parties to this agreement have hereunto set their hands and seals, the day and year first above written.

U. S. GRAIN GROWERS, INC.

By .....President.

Party of the first part.

.....

Party of the second part.

Postoffice address:

.....

APPENDIX B

Personnel of Committees

The Committee of Seventeen

The following were the members of the Farmers' Grain Marketing Committee of Seventeen, appointed to formulate a cooperative plan for marketing grain on a nation-wide scale:

1. J. M. Anderson, Equity Cooperative Exchange, St. Paul, Minnesota.
2. C. A. Bingham, Farm Bureau, Lansing, Michigan.
3. P. E. Donnell, Missouri Farmers' Grain Dealers' Association, Waco, Missouri.
4. John L. Boles, National Equity Union, Liberal, Kansas.
5. W. G. Eckhardt, Illinois Agricultural Association, Chicago, Illinois.
6. C. V. Gregory, Agricultural Editors' Association, Chicago, Illinois.
7. C. H. Gustafson, Farmers' Union, Lincoln, Nebraska.
8. William Hirth, Missouri Farmers' Club, Columbia, Missouri.
9. C. H. Hyde, Farmers' Union, Alva, Oklahoma.

10. Dr. E. F. Ladd, Agricultural College, Fargo, North Dakota.
11. Dr. Geo. Livingston, United States Department of Agriculture, Washington.
12. H. R. Meisch, Farmers' National Grain Dealers' Association, Argyle, Minnesota.
13. A. L. Middleton, Farmers' National Grain Dealers' Association, Eagle Grove, Iowa.
14. Ralph Snyder, Farm Bureau, Oskaloosa, Kansas.
15. L. J. Tabor, Grange, Barnesville, Ohio.
16. Clifford Thorne, Farmers' National Grain Association, Chicago, Illinois.
17. Dr. H. J. Waters, Kansas City, Mo.

The Committee of Fifteen

The following were the members of the Farmers' Live Stock Marketing Committee of Fifteen appointed to formulate a plan for marketing live stock cooperatively:

1. C. H. Gustafson, Chicago, Illinois.
2. A. Sykes, Ida Grove, Iowa.
3. H. W. Mumford, Chicago, Illinois.
4. Harry G. Beale, Mt. Sterling, Ohio.
5. J. E. Boog-Scott, Coleman, Texas.
6. W. J. Carmichael, Chicago, Illinois.
7. W. A. Cochel, Kansas City, Missouri.
8. C. E. Collins, Kit Carson, Colorado.

9. E. H. Cunningham, Des Moines, Iowa.
10. Howard M. Gore, Clarksburg, W. Virginia
11. J. B. Kendrick, Sheridan, Wyoming.
12. W. A. McKerrow, St. Paul, Minnesota.
13. J. H. Skinner, LaFayette, Indiana.
14. O. O. Wolf, Ottawa, Kansas.
15. J. R. Howard, ex officio, Chicago Illinois.

ALTERNATES

1. John G. Brown, Monon, Indiana.
2. James Clemmens, Kansasville, Wisconsin.
3. W. S. Corsa, White Hall, Illinois.
4. John M. Evvard, Ames, Iowa.
5. E. C. Lasater, Falfurrias, Texas.
6. Wm. H. Pew, Ravenna, Ohio.

The Committee of Eleven

The following are the members of the National Dairy Marketing Committee of Eleven appointed to formulate a cooperative plan for national dairy marketing:

1. C. Bechtelheimer, Waterloo, Iowa, President of the Iowa Creamery Association.

2. Milo D. Campbell, Coldwater, Michigan, President of the National Milk Producers' Federation.

3. Fred H. Harvey, Galt, California, a director of the California Milk Producers' Association.

4. Harry Hartke, Erlanger, Kentucky, a director of the Queen City Milk Producers' Association.

5. C. L. Hawley, Salem, Oregon, State Dairy and Food Commissioner.

6. E. B. Heaton, Wheaton, Illinois, director of the Dairy Marketing Department of the American Farm Bureau Federation.

7. Henry Krumrey, Plymouth, Wisconsin, President of the Wisconsin Cheese Federation.

8. C. Larsen, Chicago, Illinois, director of the Dairy Products Marketing Department of the Illinois Agricultural Association.

9. John D. Miller, Susquehanna, Pennsylvania, Vice-President of the Dairymen's League, Inc.

10. H. B. Nickerson, Elk River, Minnesota, a director of the Twin City Milk Producers' Association and president of the Minnesota Cooperative Creamery Association.

11. Richard Pattee, Boston, Mass., managing director of the New England Milk Producers' Association.

The Committee of Twenty-one

The following are the members of the National Fruit Marketing Committee of Twenty-one appointed to bring out a plan for national cooperative marketing of fruits and fruit products:

1. W. B. Armstrong, Yakima, Washington.
2. Sheridan W. Baker, Santa Rosa, California.
3. C. E. Durst, Chicago, Illinois.
4. W. F. Farnsworth, Waterville, Ohio.
5. M. B. Goff, Sturgeon Bay, Wisconsin.
6. Prof. Laurenz Greene, LaFayette, Indiana.
7. Chas. E. Hardy, Hollis, New Hampshire.
8. Orlando Harrison, Berlin, Maryland.
9. W. B. Hunter, Atlanta, Georgia.
10. E. A. Ikenberry, Independence, Missouri.
11. A. E. Johnson, Grand Junction, Colorado.
12. W. S. Keeline, Council Bluffs, Iowa.
13. Clement B. Lewis, Riverton, New Jersey.
14. C. I. Lewis, Salem, Oregon.
15. B. F. Moomaw, Cloverdale, Virginia.
16. N. R. Peet, Rochester, New York.
17. R. B. Peters, Devore Ranch, Devore, Calif.
18. Gray Silver, Martinsburg, West Virginia.
19. C. E. Stewart, Tampa, Florida.
20. William H. Stites, Henderson, Kentucky.
21. Dr. O. E. Winberg, Silverhill, Alabama.

APPENDIX C

Committee of Fifteen Report

INTRODUCTORY TO THE REPORT

The Committee early found that the problems in connection with live stock marketing which the Committee would be obliged to consider involved cooperative marketing, orderly marketing, live stock production and marketing information, transportation and financing.

Some live stock organizations fairly represent special live stock interests or regions of production. Yet these for the most part have not been sufficiently financed nor are they sufficiently national in scope to function strongly and effectively.

The need for a national live stock organization representative of a very large number of the rank and file of live stock producers in all parts of the United States has long been felt. Such an association properly financed and directed should be able to represent wisely and with authority the live stock producers' interests, wherever and whenever they are concerned.

The Committee has come to feel that such an organization can best be built with more efficient live stock marketing as its primary purpose.

Without becoming a burden to anyone such an organization should grow to be largely representative of live stock producers and easily become self-supporting.

The building of such an organization hinges upon the willingness of live stock producers to cooperate in marketing their live stock and it is convinced that until they do so cooperate there is little hope of substantial and permanent improvement in live stock marketing.

To provide the required agencies for the effective handling of the live stock marketing problems and otherwise promote the best interests of live stock producers it is necessary for the producers themselves to have:

First. Producers' Live Stock Commission Associations also hereinafter referred to as Terminal Commission Associations established at the terminal markets, which organizations shall be corporations not for pecuniary profit, and shall be organized under the terms hereinafter set forth.

Second. A national organization of live stock producers hereinafter referred to as the National Live Stock Producers' Association established in accordance with plans hereinafter set forth.

Third. Producers' Stocker and Feeder Companies established in connection with Terminal Commission Associations as hereinafter provided.

Fourth. Cooperative Live Stock Shipping Associations established at shipping points where available business will justify and local sentiment generally endorse such organizations organized according to plans hereinafter set forth.

PRODUCERS' LIVE STOCK COMMISSION ASSOCIATIONS

Section 1. *Name.* Producers' Live Stock Commission Association of .....(insert the market where located).

Section 2. *The Producers' Live Stock Commission Associations* shall be incorporated cooperative associations. The Producers' Live Stock Commission Associations may organize Producers' Stocker and Feeder Companies upon their respective markets.

Section 3. *The Producers' Live Stock Commission Associations* shall be established at the various markets contingent upon the local demand and the probable business at such market, these facts to be determined by the Board of Directors of the National Live Stock Producers' Association in conference with patrons of the terminal market involved.

Section 4. *Nature of Business.* The general business of the Producers' Live Stock Commission Associations shall be the selling, handling, and marketing of live stock for its members and

others. Each association shall be authorized to acquire, use and dispose of all real and personal property incident to the conduct of its business. It shall be authorized to borrow money and to pledge its property, real, personal and mixed, for the payment of same, also to make whatever contracts are necessary for the conduct of its business.

Section 5. *Eligibility.* To become members of the Association, individuals, partnerships and corporations must be bonafide live stock producers, either as breeders or feeders, or both. Cooperative Live Stock Shipping Associations acting as producers' shipping agents are eligible to membership. The Board of Directors of each Terminal Commission Association reserves the right to determine whether or not an applicant is eligible to membership and entitled to the benefits of the Association.

If requested to do so, persons, partnerships, corporations or shipping associations, must submit evidence to the Board of Directors that they are eligible to membership. If after becoming members of the Association they shall cease to be bonafide producers of live stock they shall forfeit their rights in the Association and no refund or earnings, except such as have accumulated, shall

be thereafter made to them until they shall again become producers of live stock.

The directors of a Terminal Commission Association, under appropriate rules and regulations, shall have the right to expel for cause from membership any shipping association or individual partnership or corporation or producer and to deny all further rights and privileges in the Terminal Commission Association.

Section 6. *Interchangeability.* Members of any Terminal Commission Association shall be entitled to share in the benefits of any other Terminal Commission Association which such members may patronize.

Differences of opinion or disputes shall be adjusted as far as possible between terminal commission associations or the individual and the Terminal Commission Association by the Directors of the Terminal Commission Association, but where this cannot be accomplished, the matter shall be referred by either party to the Board of Directors of the National Live Stock Producers' Association for action and its decision shall be final.

Section 7. *Fees.* The membership fee in Producers' Live Stock Commission Associations for Cooperative Live Stock Shipping Associations shall in no case be less than $50. This shall be the

fee for any association shipping cooperatively fifty cars or less per year. The membership for associations shipping more than fifty cars annually shall be 50 cents per each additional car based on the previous year's business.

Members of cooperative shipping associations holding memberships in the terminal commission associations who consign live stock direct to the Producers' Live Stock Commission Association instead of through the cooperative live stock shipping associations must pay a membership fee of $10.

For an individual, partnership or corporation not a member of a cooperative shipping association the membership fee shall be $10. Membership includes membership in the National Live Stock Producers' Association and the Producers' Stocker and Feeder Company as well.

Section 8. *Government.* The government of the Terminal Commission Association shall be vested in its board of directors.

Section 9. *Number of Directors.* Each Terminal Board of Directors shall consist of not less than five nor more than eleven selected by Delegates as hereafter provided.

Section 10. *Length of Term.* Each Director regularly elected for a full term shall serve for three years. In case the Board of Directors con-

sists of five, two shall be elected each of two consecutive years and one for the succeeding years. In case there are more than five Directors, as nearly one-third shall be elected each year as possible.

Section 11. *Eligibility of Directors.* In order to be eligible to the Terminal Board of Directors a person must be a member of the Terminal Commission Association or a Live Stock Shipping Association, partnership or corporation that is a member of the Terminal Commission Association, provided that he is a bonafide live stock producer at the time of his election.

Section 12. *First Board of Directors.* The first Terminal Board of Directors of the Terminal Commission Association on any market shall be selected by the Board of Directors of the *National Live Stock Producers' Association* in conference with official representatives designated by the Executive Committees of the state farm bureau federations, whose members largely patronize that terminal market, at a joint conference called by the Board of Directors of the National Live Stock Producers Association. As nearly as possible, one-third of the first Board shall be appointed to serve until the first annual meeting, one-third until the second annual meeting and one-third until the third annual meeting.

Section 13. *Duties of Directors.* In addition to the other duties of the Directors the Terminal Boards of Directors shall elect their own officers and the manager. In case of vacancy in the Terminal Board of Directors the remaining members of the Board shall select a successor to fill such vacancy until the next regular election of terminal Directors. The Terminal Board of Directors shall select annually from their own number an executive committee of not less than three to perform such duties as are assigned to them by the Board, and not inconsistent with the by-laws and articles of incorporation. The selection of terminal managers shall be made in consultation with, and with the advice of the Board of Directors of the National Live Stock Producers' Association. No Director shall serve as manager, salesman or employee of a Terminal Commission Association, provided that nothing herein shall preclude directors from functioning in the performance of their duties as members of the Board.

Section 14. *Number of Delegates.* Members of Terminal Commission Associations shall be represented by delegates who shall elect the Directors of the Terminal Commission Associations as hereinafter provided. Each state shall be entitled to one delegate, provided there is consigned from that state not less than fifty cars of live stock

annually to the Terminal Commission Association. There shall be an additional delegate for each additional 200 cars or major fraction thereof of live stock over fifty consigned annually from the state to the Terminal Commission Association.

Section 15. *Eligibility of Delegates.* Persons eligible to election for delegates must be members of the Terminal Commission Association or a Live Stock Shipping Association that is a member of the Terminal Commission Association.

Section 16. *Nomination and Election of Delegates.* A definite plan for, and the execution of the plan for the nomination and election of delegates to the first and subsequent meetings of delegates shall be made by the State Farm Bureau Federations whose members patronize that particular terminal market, in accordance with the laws governing the membership in the terminal associations. This plan shall be worked out in consultation and with the advice of the Board of Directors of the National Live Stock Producers' Association.

Section 17. *Meeting of Delegates and Election of Directors.* The delegates for each Terminal Commission Association shall be called in session annually by the terminal Board of Directors for such Association and at that time the delegates shall elect the members of the said Board, which

shall be apportioned to represent states or districts according to volume of business contributed to the Terminal Commission Association.

Section 18. *Prorating.* The benefits of the Terminal Association to be refunded will be prorated back to the members and organizations transacting business with the Association after deducting therefrom, within the discretion of the Directors, the cost of shipping, receiving marketing, feeding, watering, holding, delivering, weighing and all other charges incident to the selling of live stock and the transaction of the business of the Association; the prorated apportionment necessary to the maintenance of the National Board of Directors, and to establish a fund which will create and constitute sufficient commercial reserves and surplus shall be held in the treasury of the Association. The surplus fund so established and maintained shall not be used for operating expenses, payment of patronage dividends, or other purposes, unless authorized by the Terminal Board of Directors.

Section 19. *Basis of Prorating.* The prorating of the benefits of the Terminal Commission Association shall be done on the basis of the amount paid in commissions as elsewhere specified.

Section 20. *To Whom Prorated.* Prorating shall be done as early as possible in January of each year, and payment shall be made as soon thereafter as possible. The money shall be sent direct to all members of a terminal association, and for any other it shall be held to his credit by the Terminal Board of Directors for not to exceed one year from date of the first shipment unless a sufficient amount has accrued to pay for a membership previous to the expiration of that time. At such time membership certificate will be issued, provided a person is eligible to membership and if not, it will be paid at the conclusion of the year's business when members' refunds are paid, but at one-half the rate of refund for members, the remaining being placed in the surplus account.

NATIONAL LIVE STOCK PRODUCERS' ASSOCIATION

Section 21. *National Organization.* In order to coordinate the work of these terminal commission associations and otherwise promote the welfare of live stock producers, there shall be created a National Live Stock Producers' Association, a corporation not for pecuniary profit, national in scope and function. The government of the National organization shall be vested in a Board of Directors.

Section 22. *Membership in the National Live Stock Producers' Association.* Individual members, members of partnerships, corporations, or shipping associations that are members of Terminal Commission Associations or Stocker and Feeder Companies, and these associations and companies shall constitute the membership of the National Live Stock Producers' Association.

Section 23. *First National Live Stock Board of Directors.* The first National Live Stock Board of Directors shall consist of not less than nine persons designated by the Executive Committee of the American Farm Bureau Federation from eighteen nominated by the Farmers Live Stock Marketing Committee of Fifteen in addition to the members of the Committee of Fifteen, including the alternates, due consideration being given to geographical location in the selection. The Board shall form a temporary organization, which shall proceed at once to organize and incorporate the National Live Stock Producers' Association according to law. Other members shall be added to the Board as terminal associations are organized under this plan, but the voting power of these respective directors shall be in proportion to the number of cars of live stock consigned to the respective Terminal Commission Associations. An annual business of 10,000 cars shall be the

basis for one vote. These nine shall hold office until the second annual meeting at which time as many of the original Board of Directors shall retire as there are terminal commission associations having representations on the National Board provided, in no case shall more than four directors retire at the second annual meeting, the remaining five to retire at the third annual meeting.

Section 24. *Number of National Directors.* Each Terminal Commission Association is entitled to one member on the Board of Directors, who shall be elected by the Board of Directors of the respective Terminal Commission Association. He may or may not be a member of the Terminal Board. The voting power of the respective directors shall be in proportion to the number of cars of live stock consigned to the respective Terminal Commission Associations, as specified in the preceding paragraph.

Section 25. *Length of Term of National Directors.* Each National Director regularly elected for a full term shall serve for three years.

Section 26. *Eligibility of National Directors.* The same rule of eligibility for National Directors shall apply as for terminal directors (See Section 11).

Section 27. *Duties of the National Live Stock Board of Directors.* The National Live Stock

Board of Directors shall represent the various phases of the live stock industry. Its duties shall be:

1. To elect their own officers, executive committee and employees. No director shall serve as an employee of the National Live Stock Producers' Association nor of a Terminal Commission Association, provided that nothing herein shall preclude directors from functioning in the performance of their duties as members of the Board.

2. To incorporate, establish and coordinate the work of Terminal Commission Associations and Producers' Stocker and Feeder Companies.

3. To provide a uniform system of bookkeeping and accounting and secure proper auditing of the books of Producers' Live Stock Commission Associations and Producers' Stocker and Feeder Companies.

4. To encourage cooperative live stock shipping associations and assist them in making their work effective.

5. To perfect and put into operation the plans for orderly marketing.

6. To furnish to producers, feeders and graziers, information which may enable them to market their live stock more intelligently.

7. To establish as soon as practicable a Transportation Department.

8. To interpret for producers informations furnished by the Bureau of Markets and Crop Estimates.

9. To secure additional data from live stock producers and their organizations.

10. To serve as a Board of Arbitration when differences arise between those under its jurisdiction.

11. To formulate rules and regulations under which authority may be granted to expel members for cause.

12. To perform any additional service that will be of benefit to the industry and within the resources of the Association.

Section 28. *Executive Committee.* The Board shall select annually from their own number a small executive committee of not less than three to perform such duties as are assigned to them by the Board, and not inconsistent with the by-laws and articles of incorporation.

Section 29. *Financing the National Live Stock Producers' Association.* The aggregate cost of maintaining, operating, and conducting the National Live Stock Producers' Association shall be provided for by the Terminal Commission Associations, setting aside for that purpose out of the regular commission charges not more than fifty cents per car of stock consigned to them and remit

same at the end of each month to the National Live Stock Producers' Association. For the first year and thereafter until the resources of the National Association shall exceed its requirements, the per car charge to be set aside and remitted by the Producers' Terminal Commission Associations shall be fifty cents.

Section 30. *Location.* The main office of the National Live Stock Producers' Association shall be in Chicago, Illinois.

PRODUCERS' STOCKER AND FEEDER COMPANY

Section 31. *Name.* Producers' Stocker and Feeder Company of .....

Section 32. *Form.* The Producers' Stocker and Feeder Companies shall be organizations not for profit, operated on the cooperative plan.

Section 33. *Location.* The establishment of terminal Producers' Stocker and Feeder Companies on the various markets shall be contingent upon their need in connection with the business of the Producers' Live Stock Commission Associations and shall be determined and agreed upon jointly by them and the National Live Stock Board of Directors.

Section 34. *Nature of Business.* The business shall be the purchasing, selling, handling and marketing of live stock for itself, its members and others and any and all other things desirable or

necessary to the successful conduct of the business. It shall be authorized to acquire, use and dispose of all real and personal property incident to the conduct of its business. It shall be authorized to borrow money and pledge its property, real, personal and mixed, subject to the approval of its Board of Directors. It shall be authorized to make whatever contracts are necessary for the conduct of its business.

Section 35. *Membership.* Membership in the Producers' Live Stock Commission Association carries with it a membership in and the benefits of the Producers' Stocker and Feeder Company.

Section 36. *Government.* The government of the Producers' Stocker and Feeder Company shall be vested in its Board of Directors.

Section 37. *Interchangeability.* A person or shipping association that is a member of one Producers' Stocker and Feeder Company shall be entitled to the benefits of any other Producers' Stocker and Feeder Company which he may patronize.

Section 38. *Prorating of Benefits.* The benefits of the Producers' Stocker and Feeder Companies shall be prorated after deducting therefrom all expenses incident to the conduct of the business and a percentage which will, in the discretion of the Directors, establish a fund which

will create and constitute sufficient commercial reserves and surplus. The surplus fund so established and maintained shall not be used for operating or other expenses, except as authorized by the Board of Directors.

COOPERATIVE LIVE STOCK SHIPPING ASSOCIATIONS

Many live stock producers are not in close enough contact with live stock marketing conditions, particularly market quotations, and the various market classes and grades of live stock, to market their live stock to advantage. The Cooperative Live Stock Shipping Association affords the individual producer an opportunity to place his live stock on the open market at minimum cost and receive for it what the market will pay for the grade of live stock he has for sale.

The educational value of this method of live stock marketing cannot be too strongly emphasized, as the farmer soon learns the value of type, quality and condition in live stock and many have thus learned to adjust their plans of production along lines which will yield the greatest net profits.

This educational opportunity should be grasped by farm advisers, county agents and agricultural extension departments. It is believed that agricultural colleges might well offer short courses for

Live Stock Shipping Association Managers to familiarize them with the various market classes and grades of live stock and the records and accounting systems involved in their work. The economic necessity that led to the organization of Cooperative Live Stock Shipping Associations may be still further emphasized by pointing out that a large number of live stock producers, joined in an organization, acting cooperatively rather than individually, are in a position to present more effectively their just claims for adjustment, bring about needed changes and improved practice at the markets and ultimately, as we believe, make some progress in regulating the flow of live stock to the market.

This plan is presented with the hope that it points the way to secure greater uniformity in organization and practices among Live Stock Shipping Associations by suggesting some underlying principles which your committee feels will if generally adopted render the whole shipping association movement of greater service to the live stock producers. It will be found of especial help to new associations which may be formed.

It is believed that the adoption of the principles herein set forth will promote the growth and development of the movement to a point where the numerical strength of the organization and where

the volume of business handled will constitute an effective agency through which producers may accomplish improvements in marketing where needed and be able to represent strongly the live stock producers' interests.

Section 39. *Purpose.* The purpose of the Cooperative Live Stock Shipping Association is to market the live stock for its members and others under the rules and regulations under which they may operate with a view of securing the highest market value and reduce to the minimum the costs of marketing. No system of marketing can be called advantageous to the live stock producer that overlooks either of these important considerations.

Section 40. *Form of Organization.* The Cooperative Live Stock Shipping Association is a corporation not for pecuniary profit operated on the cooperative plan. It should be incorporated because it provides for limited liablity of members.

In the organization of new associations, local conditions and the policy being followed in the state will largely determine the type of organization chosen,—local, regional or country-wide. It is urged that the shipping territory be made large enough to warrant the employment of a competent manager. It is desirable that all live stock

shipping associations be incorporated under the laws of the state in which located.

Local, county and regional associations can most advantageously and economically function through some strong state-wide farm organization not confined to or undertaking to represent a single farm product or commodity but an association which is serving or attempting to serve all farmers. Specialized collective needs of shipping associations should be safeguarded by the Terminal Producers' Commission Associations.

Section 41. *Membership.* It is impracticable at this time to lay down a hard and fast rule governing eligibility to membership in a Live Stock Shipping Association. The general principle, however, should be recognized that the best interests of the live stock producers of the country will be served by the strengthening of not only the cooperative shipping associations, but also the farm organizations that foster them. It is believed, therefore, that this can be best accomplished by making, where conditions make such a policy practicable, the basis of membership in the Cooperative Live Stock Shipping Association, membership in the general farmers organization of the county and state.

Suitable provision should be made to make the facilities of the Cooperative Shipping Association

available to all live stock producers under proper rules and regulations which will strengthen rather than weaken the organization. Encouragement should be offered the carlot shipper to market his stock through the shipping association in order that all of the stock of each locality will eventually be marketed through the cooperative shipping association.

Since the same principles underlying the organization of Cooperative Live Stock Shipping Associations, namely, economy and more advantageous marketing, apply with equal force to the organization and operation of producer-owned and controlled terminal commission associations, the individual joining the one should simultaneously join the other.

Section 42. *Government.* The control and government of the association shall be vested in a Board of Directors composed of at least five members of the association who are bonafide live stock producers.

Section 43. *Officers.* The Board of Directors shall elect from their own number a President, Vice President and a Secretary-Treasurer. These officers shall hold the same offices in the Association as in the Board.

Section 44. *Manager.* The Board of Directors shall employ a manager to carry on the business

of the association, under their authority, supervision and guidance. Upon the manager rests great responsibility for the success or failure of the shipping association. He should be selected with the greatest care. Adherence to the following fundamental considerations is important. The manager should be:

a. Truly sympathetic with and a thorough believer in Cooperative Marketing.

b. A man who has the confidence of the farmers in the community as to his honesty, ability and judgment.

Shipping associations are urged to adopt fair rates of pay in order that competent managers may be secured. Every encouragement should be given to good and efficient managers to retain them in the service. It is recommended that surety and indemnity bonds be provided for the manager at the expense of the organization.

It is recommended that the manager should not be permitted to buy and sell or ship live stock other than that he has produced on his own account, except as the agent or manager of the cooperative shipping association.

The basis for determining the rate per hundred or per car which the manager receive for his services should be determined by the service he is

called upon to render and the volume of business the association transacts.

Section 45. *Methods of Handling Stock.* It is recommended that the manager classify all stock as received at the shipping point, weighing same according to the following classes:

Cattle	*Hogs*	*Sheep*
Steers	Butcher Hogs	Lambs
Cows	Packers	Ewes
Heifers	Stags	Yearlings and
Bulls	Boars	Wethers
Calves	Pigs,	Bucks
	Crips, Busts	

Section 46. *Records and Accounting.* In order to facilitate the study of their business and to improve their practices, it is desirable that shipping associations keep records in such manner as to show separately insurance funds, managers' fees, and operating expenses. The insurance rate should be carefully adjusted from time to time to the actual risk on the different classes of stock. Managers' fees should similarly be adjusted to the amount of work entailed in the different cases. An ample insurance fund should be first accumulated, after which the insurance charge should be lowered to a point where it meets only current losses; also a sufficient reserve fund should be ac-

cumulated to place the association on a safe business basis. Managers' fees should also be reduced as increased volume makes it possible.

A uniform system of records and accounting is desirable, including:

1. Weigh ticket.
2. Invoice.
3. Prorating sheet.
4. Member's statement.
5. Shipment record envelope.

Shipping association accounts should be audited at least once a year. It is recommended that the farmers' organizations fostering cooperative live stock shipping associations shall provide auditing service for them.

The recommendation is made that all shipping associations make monthly reports to such farmers' organization and the terminal sales agency, showing movement of live stock, cost of marketing, shrinkage and other information. Such report forms should be uniform as to essentials for the several states.

The above recommendations as to the organization and management of cooperative live stock shipping organizations are made in the spirit of outlining ideals toward which the individual organization should work and not in the spirit of promulgating arbitrary standards to be imme-

diately adopted by all organizations. In striving to make the individual organization more efficient, it is realized that local conditions, to a large extent, govern the rapidity with which improved methods may be adopted.

ORDERLY MARKETING

Section 47. *Need for Orderly Marketing.* A survey of the production and marketing of live stock and live stock products emphasizes the necessity of devising a more orderly system of marketing than now prevails. There is no one group of men representing producers who can speak with sufficient authority to put into execution any effective plan which might be suggested.

Fundamental facts prevent the development of a thorough system of orderly marketing at present. There is but little reliable information available as to the supply and demand for live stock to be marketed or as to the time of marketing. It has been impossible to secure the cooperation of intrenched existing agencies upon a general plan of orderly marketing to which all interests will give hearty support and cooperation. Present selling agencies indicate that they do not have the authority or power to execute plans of orderly marketing which may be submitted.

Live stock producers have organized for the study of methods of production and for the purpose of solving local problems. The next step is to consider marketing of their products as of equal importance to the production of same. This can best be brought about through the cooperative selling agencies developed to such a point that they may direct the flow of live stock to the market.

A plan of orderly marketing when proper support can be given it by those who control the selling of the major portion of live stock receipts will permit valuations to be created by demand in competition among buyers and will have the additional value of regulating supplies, thus permitting a much greater return to producers.

As the plans for orderly marketing develop it will be necessary to take into consideration not only the flow of live stock to the market but also the distribution of meat and by-products in an orderly manner through the various channels of trade.

The welfare of the live stock industry is best served by the maintenance of fairly stable prices whereby marked daily fluctuations are avoided.

Section 48. *Orderly Marketing Principles.* The committee believes that the accomplishment of the more orderly marketing of different kinds of live

stock is a long-time process. There is no easy way of any outstanding shortcuts that will gain the desired end.

There must be a broad campaign of education which stresses the ways and means to secure more orderly marketing of live stock.

There must be dependable information as to all supplies, which information must be intelligently interpreted and put into use by live stock producers and live stock shipping and marketing agencies, that have a genuine desire and willingness to cooperate for the good of all concerned.

Organizations of large numbers of producers properly organized and conducted on a strictly cooperative plan are essential to real enduring success if the more orderly marketing of live stock is to be attained.

The time of marketing is determined largely by the date that the preparation for market is begun. A complete system of orderly marketing must take into consideration the movement of stocker and feeder cattle, feeding sheep and lambs and stock hogs into feed lots and pastures. Some regulation of conditions and volume of production must ultimately come if orderly marketing is accomplished.

The early development and maintenance of efficient systems for the orderly marketing of live

stock, the principles governing which are herein outlined, shall be executed by the Board of Directors of the National Live Stock Producers' Association.

Section 49. *Essentials of an Orderly Marketing Program.* The essentials of an orderly marketing program are: 1. Reliable statistical information is absolutely indispensable. Any plan of orderly marketing covering any kind of live stock must include accurate information covering:

a. Number and classes of the different kinds of live stock—cattle, sheep and swine in the country.

b. Quantity of the above supply that is to be marketed, the time of marketing and the region from which it is to come.

c. Market receipts with origin of same at all of the live stock markets covering various kinds, classes and grades of live stock—cattle, sheep and swine, together with their distribution into their various specific channels.

The above statistics whenever possible should be based upon actual classified enumeration, otherwise upon careful estimates based upon accurate surveys of well-defined representative regions.

It is recommended that the above information be secured through the U. S. Department of Agriculture, the Secretaryof Agriculture establishing

the necessary organization in the Bureau of Markets and Crop Estimates, cooperating with farm bureaus and other representative farm organizations and live stock marketing agencies.

2. There must be established definite methods for regulating the flow of various kinds of live stock toward the market in order to more equitably distribute the receipts. The method will differ depending upon the different kinds of live stock involved.

3. When the supply of live stock of any kind on the leading live stock markets threatens a shortage or excess of the daily or weekly requirements, pressure should be exerted by the terminal selling agencies to regulate country loadings and thus aid the market in recovering.

4. There must be a working agreement with the railroads to insure the proper distribution of cars so as to carry out any plan of orderly marketing.

Section 50. *Live Stock Information.* The National Live Stock Board of Directors should cooperate with the various existing live stock producers organizations in working out a system of orderly marketing. This Board should secure:

1. A list of those who produce or handle live stock in carload quantities.

2. A continuous record of the number on feed and on grass.

3. Information covering the probable length of feeding or grazing period.

4. Information covering the particular class of live stock on hand.

5. Information covering the place of marketing and the probable time of marketing.

6. Information which may enable producers, feeders and graziers to market their live stock more intelligently.

Section 51. *Orderly Marketing of Hogs.* The number of producers is so large and they are so widely scattered and the conditions of production are so varied that the intelligent distribution of shipments in the marketing movement of hogs is at present difficult. It is believed that organizations of producers and the development of cooperative marketing agencies will tend to obviate many of these difficulties.

Producers concentration yards shall only be established after a careful survey of conditions by the National Live Stock Board of Directors in cooperation with terminal marketing agencies, farm bureaus, farm bureau federations and cooperative shipping associations. When such concentration yards are deemed necessary they should be established by and under the supervision of the National Live Stock Board of Directors.

Section 52. *Orderly Marketing of Cattle.* The

more orderly marketing of cattle is presented under three heads, fed cattle, range and pasture grass cattle, and butcher stock. The marketing of each of these classes is a problem in itself. Stockers and feeders are not considered in a separate group, as these classes are included with range and pasture grass cattle.

Section 53. *Fed Cattle.* Fed cattle constitute a separate and fairly distinct problem in cattle production and marketing. The National Live Stock Board of Directors should bring about the close cooperation of terminal selling agencies, cooperative shipping associations, cattle feeders and organizations of live stock producers in such manner as to regulate to the greatest possible degree the operations in buying of feeders and the marketing of fed cattle.

Section 54. *Range Cattle.* The outstanding problem in the orderly marketing of such cattle is to so move them that they will come to market in as fairly uniform volume as possible.

To regulate the flow of these cattle to market and insure the best interests of the industry, the National Live Stock Board of Directors should cooperate with cooperative live stock shipping associations and terminal selling agencies and live stock producers and live stock organizations in the range territory in order to secure:

1. Direct from members in advance of the shipping season, reliable information as to the probable number and classes to be marketed with expressed preference as to the time of marketing.

2. The development of a general program of marketing which will insure that range cattle move to market in a well-distributed weekly volume.

Section 55. *Pasture Grass Cattle.* These cattle come from pastures in or adjacent to the corn belt. Where these are produced in well defined regions such as the Kansas Osage or flint hill pastures, Mineral Point, Wisconsin, and in blue grass regions, it is recommended that the National Live Stock Board of Directors cooperate with cattle graziers and producers live stock associations in these regions so as to regulate their market movements by distributing the runs in an orderly manner, harmonizing these movements with those of range cattle.

Section 56. *Butcher Stock.* To gain accurate information as to the quality of cattle produced, numbers to be marketed and time of marketing offers extreme difficulty of fulfillment. As an increasing percentage of these cattle are shipped through cooperative shipping associations, it appears that the organized regulation for the more

orderly marketing of butcher stock may logically come through these shipping associations cooperating with terminal selling agencies.

Section 57. *Orderly Marketing of Sheep.* The more orderly marketing of sheep is presented under three heads: Fed Sheep and Lambs, Western Sheep and Lambs, and Native Sheep and Lambs. The marketing of each of these classes is a problem in itself.

Section 58. *Fed Sheep and Lambs.* The problem of the orderly marketing of fed sheep and lambs is first of all a problem of feeding, because the time at which these lambs are put in the feed lot determines in a very large measure the time when they are to be marketed.

The development of sheep feeding stations has resulted in a better distribution over short periods, the good results from this system being especially marked with this class of live stock.

The principles governing the more orderly marketing of fed cattle apply with equal emphasis to the more orderly marketing of fed sheep and lambs.

Section 59. *Western Sheep and Lambs.* The problem of the marketing of this class of live stock is similar to the marketing of range or western cattle. The time of marketing is determined almost wholly by the conditions of production in

the different range states. The period when the market movement takes place is limited.

The method that has been recommended for the more orderly marketing of range and pasture grass cattle offers a good guide for possible co-operative developments in the more orderly marketing of western sheep and lambs.

Section 60. *Native Sheep and Lambs.* The National Live Stock Board of Directors should co-operate with the farm bureaus, cooperative shipping associations, terminal selling agencies and other organizations of sheep men in order to bring about an orderly movement of Native Sheep and Lambs to the market.

TRANSPORTATION

Section 61. The live stock transportation problems are of sufficient importance to the producers to warrant the expenditure of the necessary effort and funds for the adequate protection of their interests. Abnormally high transportation rates discourage normal production and consumption on account of the effect on the returns to the producer and cost to the ultimate consumer. Inadequate transportation service is injurious to the industry as a whole, as well as to the live stock being transported, resulting in smaller net returns to the shipper.

While various organizations representing the live stock interests have spent much time, money and effort to solve the transportation problems of live stock producers there still remain many difficult transportation problems to be solved.

Important transportation problems, including the following list, confront and handicap the live stock producer:

1. Transportation rates, including rates on mixed cars and standard valuations.
2. Train schedules.
3. Heavy tonnage hauls including live stock shipments.
4. Attendants with live stock shipments.
5. Partitions for mixed cars.
6. Loading station, pens, chutes, scales and other equipment.
7. Providing of cars as ordered, whether single or double deck.
8. Bedding of the cars.
9. Delays between terminal yards and unloading chutes.
10. Inspection, disinfection and loading of cars.
11. Safe carload minima on straight and mixed cars.
12. Feeding and watering enroute.
13. Hot weather handling of hogs.
14. Unloading at destination.

15. Handling of pure bred live stock.

16. Priority of live stock shipments over dead freight.

17. Prevention of discrimination in transportation rates and otherwise against animals (horses and mules), used for farm power.

These and other transportation problems and their solution may very properly be classified as local, district, intrastate, interstate, regional, national and international in character, many of which overlap and dovetail together.

These problems can best be solved by the National Live Stock Producers' Association assuming the responsibility and leadership in a thorough study and continuous effort through a properly organized transportation department, and that it should seek the cooperation of the various farm organizations interested in the production and marketing of live stock.

Section 62. It is therefore recommended, that the Board of Directors of the National Live Stock Producers Association, provided for in the plans submitted by the committee, be requested to give consideration to live stock transportation problems at an early date and establish, as soon as practicable, a Transportation Department and request it to cooperate with the American Farm Bureau Federation, the several producers terminal

commission associations, State Farm Bureau Federations, and live stock organizations, including cooperative live stock shipping associations, and other farm organizations interested in live stock production.

STATISTICS AND MARKET REPORTS

Section 63. The Committee believes that:

1. The Bureau of Markets and Crop Estimates can best collect the ordinary live stock statistics needed as a basis for intelligent production and marketing. The Committee recognizes that to adequately meet the needs it will be necessary to bring about a closer cooperation beween this Bureau, state departments, and farm and live stock organizations.

Farmers and live stock producers should be willing to work for more liberal support of this Bureau as its work demonstrates its usefulness. The best interests of the Bureau of Markets and Crop Estimates will be served by remaining a part of the Department of Agriculture.

2. The statistics gathered by the Department of Agriculture will need to be supplemented particularly in the interpretation of the data, by surveys, by live stock marketing agencies, and farm and live stock organizations. In this work the

National Live Stock Producers' Association should assume leadership and direction.

EXTENDING THE MARKET FOR MEAT

Section 64. It is recommended that the National Live Stock Producers' Association, the creation of which is recommended in this report, cooperate with the American Farm Bureau Federation in giving the public a more wholesome and trustworthy appreciation of the value of meat and meat products in the diet.

GENERAL

Section 65. It is anticipated that certain details of this plan will require modification to meet the existing law in some states.

Wherever the plan as herein outlined is in conflict with such state law the same may be modified to meet the requirements by the National Live Stock Board of Directors.

Section 66. It is recommended that the unfinished work of the Committee be turned over to the first Board of Directors of the National Live Stock Producers' Association when it is organized and in a position to take up such work and the Farmers' Live Stock Marketing Committee of Fifteen be then dissolved.

APPENDIX D

Minnesota Potato Exchange Contracts

ASSOCIATION AGREEMENT

(This is the contract entered into between the individual member and the local shipping association.)

THIS AGREEMENT, made and entered into at..... on this ..... day of ..... A. D. 192...., between the..... ..... formed under the laws of the State of Minnesota, having its principal place of business at ..... in said State (hereinafter referred to as the Association), and..... ..... a member of said Association, of..... in the County of....., and State of Minnesota (hereinafter referred to as the Grower).

WITNESSETH, that for and in consideration of the outlays incurred and to be incurred by the Association in providing means and facilities for handling, storing, grading and marketing potatoes and other farm products, including the expense to which it has been put in finding and organizing and establishing markets, and in further consideration of the mutual obligations of the respective parties hereto, it is hereby agreed as follows:

1. That the Grower appoints said Association his agent for the purpose of handling, grading and marketing all the marketable potatoes and other farm products such as..... .....

grown by him, except what he may use for home consumption, for feed and seed, or sell in less than carload lots for local consumption and distribution. This shall be construed and accepted to mean, that marketable potatoes must neither be sold or delivered to individuals or concerns, who make a business of collecting and shipping potatoes or other farm produce by carloads. And

That the Grower will deliver his marketable potatoes and other farm products, herein contracted, at the Association's shipping station at ..... in said State, in such quantities and condition, and at such times as the Association or its agent and the undersigned Grower may agree upon, during the life of this contract.

On or before July 1st of each year the Grower will report to the Association the acreage to be grown by him that year, of potatoes and other farm products covered by this contract. If the Grower reports of vegetables, not specially mentioned above in this contract, such report shall be construed and accepted to indicate his intention to include such product in his contract in the future, on the conditions and the terms covered by this contract. During the growing season the Grower shall furnish such information concerning said potatoes and other farm products as may be requested by the Association.

2. That either party may cancel this contract on the first day of July of any year, after giving notice in writing to the other party of the intention to do so, such notice to be given at least thirty (30) days prior to said date. Upon such notice, the Grower shall, prior to the first day of July pay any indebtedness then due from him to the Association, and deliver his copy of said contract to said Association, and the same shall thereupon be cancelled; but such cancellation shall not affect any incompleted sales or transactions accruing after

this contract, nor release the Grower from his obligation to sell through the Association, nor the Association from its obligation to handle all the potatoes and other farm products described in Section 1, which were grown during the preceding season.

3. That harvesting, grading, inspecting, storing and shipping of the potatoes and other farm products shall be done in accordance with the by-laws and rules of the Association now in existence or hereinafter in effect.

4. That all potatoes and other farm products delivered by the Grower may be marketed in assorted lots or with other potatoes and other farm products of like character and the proceeds of any or all shipments may be prorated with the proceeds of any other potatoes and other farm products of like variety and grade marketed by the Association, during such periods as the Board of Directors from time to time may determine. Provided that nothing in this paragraph, nor elsewhere in this contract, shall be construed to deny or abridge the right of the Grower to deliver to the Association for sale on separate account any potatoes or other farm products that said Grower may elect to withhold from the above provided for pooling arrangements.

5. That the Association shall have a lien upon the potatoes and other farm products hereby contracted by the Grower to be delivered to the Association, for any indebtedness of any kind owning by him to the Association, and any such indebtedness shall be deducted out of the net proceeds of the sale of such potatoes and other farm products.

6. That the Grower will not sell or otherwise dispose of his potatoes and other farm products covered by this contract (see also Section 1) to any purchaser except through the Association, unless such potatoes and other farm products be rejected by the Association. In case the Grower is offered a

price in excess of the price then obtainable by the Association, he shall turn over such offer to the Association to be filled by it from said Grower's potatoes or other farm products covered by this contract.

7. That the potatoes and other farm products covered by this contract shall be marketed by the Association whenever a market may be found which in its judgment, and in accordance with its by-laws and rules shall justify such marketing. The Association shall not be liable for any damage that may be sustained through the act of God or public enemy, or accidents in shipment or storage, or unavoidable failure to secure suitable storage or markets for the proper handling and storing and marketing of said potatoes and other farm products. Any loss to any shipment occasioned by a grower through improper packing, grading or otherwise shall be borne by said Grower.

8. That the Grower shall pay the Association its regular charges for its services, including handling, storing, shipping and marketing, which charges are to be fixed by the Board of Directors of the Association, and which shall be in amount sufficient to pay all expenses of rendering such services, including the overhead expenses of the Association. The Grower gives to the Association the right to deduct the amount necessary to cover such charges from the returns received for his potatoes and other farm products paying him the balance.

9. That in case the Grower shall at any time fail to fulfill any of his obligations under the provisions of this contract, including the failure to deliver the said potatoes and other farm products to the Association as hereinbefore provided, any claims arising from such failure to meet his obligation, shall be a charge against the Grower's note, given by him to the Association in accordance with its by-laws, and

That if the Grower fails or refuses to deliver to the Association, for marketing and distributing the potatoes and other farm products required by this contract, he shall pay to the Association, as liquidated damages, an amount equal to the service charges of the Association as determined under Section 8, for each cwt. of potatoes and other farm products not so delivered. Said sum may be deducted from any money in the possession of the Association due the Grower, and shall be a charge against the Grower's note as above provided.

IN WITNESS WHEREOF, the said parties have executed this contract in duplicate, this.....day of ....., 192.....

.....Association.

By.....President.

By.....Secretary.

.....Grower.

EXCHANGE AGREEMENT

(This contract is entered into between the local shipping association and the Minnesota Potato Exchange.)

This agreement was drafted by and has the approval of the M. S. Bureau of Markets.

EXCHANGE AGREEMENT

THIS AGREEMENT, made and entered into this..... day of ....., A. D. 19.... between The Minnesota Potato Exchange, a corporation formed under the laws of the State of Minnesota, having its principal place of business at Little Falls, in the said State (hereinafter referred to as the Exchange and the.....

.....

Association ....., Minnesota,

formed under the laws of the State of Minnesota (hereinafter referred to as the Association).

WITNESSETH: That for and in consideration of the outlays incurred and to be incurred by the Exchange in providing means for the marketing and distribution of potatoes and other farm products controlled by the Association, including the expense to which it has been put for organizing and finding and establishing markets, and in further consideration of the mutual obligations of the respective parties hereto, it is hereby agreed as follows:

1. That the Association appoints said Exchange its agent for the purpose of marketing and distributing all the potatoes and other farm products which shall be delivered to said Association, for marketing and distributing by said Association, in such quantities and condition, and at such time as may be agreed upon between the Exchange and the said Association, during the year 1920 and every year thereafter continually. On or before the first day of July of each year the Association shall report to the Exchange the acreage to be grown by its members that year of the potatoes and other farm products covered by this contract. During the growing season the Association shall furnish such information concerning said potatoes and other farm products as may be requested by the Exchange.

2. That either party may cancel this contract on the first day of July of any year by giving notice in writing to the other party at least thirty (30) days prior to said date of the desire to cancel this contract. Upon such notice, the Association shall, prior to said first day of July pay any indebtedness then due from it to the Exchange and deliver its copy of said contract to said Exchange and the same shall thereupon be cancelled, but such cancellation shall not affect any incompleted

sales or transactions between the parties hereto nor release either from any indebtedness then unpaid or thereafter accruing under this contract, nor relieve the Association from its obligation to sell through the Exchange, nor the Exchange of its obligation to market and distribute, all the potatoes and other farm products described in paragraph 1 which were delivered to said Association for marketing during the preceding season.

3. That the grading, inspecting, marketing and distributing of the potatoes and other farm products shall be done in accordance with the by-laws and rules of the Exchange now in existence or hereafter in effect.

4. That all potatoes and other farm products delivered by the Association may be marketed in assorted lots or with other potatoes and other farm products of like character and the proceeds of any and all shipments prorated with the proceeds of any other potatoes and other farm products of like variety and grade marketed by the Exchange, during such period as the Board of Directors from time to time may determine.

5. That the Exchange shall have a lien upon the potatoes and other farm products hereby contracted by the Association to be delivered to the Exchange for any indebtedness of any kind owing by it to the Exchange, and such indebtedness shall be deducted out of the net proceeds of the sale of such potatoes and other farm products.

6. That the Association will not sell or otherwise dispose of its potatoes and other farm products covered by this contract to any purchaser except through the Exchange, unless such potatoes and other farm products be rejected by the Exchange. In case this Association is offered a price in excess of a price then obtainable by the Exchange, such offer shall be turned over to the Exchange to be filled from the potatoes or other farm products covered by this contract.

7. That the potatoes and other farm products covered by this contract shall be sold and marketed by the Exchange wherever a market may be found which in its judgment and in accordance with its by-laws and rules shall justify such marketing. The exchange shall not be liable for any damage that may be sustained through act of God or public enemy, or accidents in shipments or storage, or unavoidable failure to secure suitable storage or market for the proper marketing and distributing of said potatoes and other farm products, Provided that the Board of Directors of the Exchange shall create such contingent funds as they deem necessary to protect the members of the Exchange against unavoidable losses. Any loss occasioned by the Association through improper handling or grading or otherwise shall be borne by said Association.

8. That the Association will pay the Exchange its regular charges for its services, including shipping and marketing, which charges are to be fixed by the Board of Directors of the Exchange, and which shall be in amount sufficient to pay all expenses of rendering such service, including the overhead expenses of the Exchange and a contingent fund provided for in Section 7. The Association gives the Exchange the right to deduct the amount necessary to cover such charges from the returns received for its potatoes and other farm products paying the said Association the balance.

9. That in case the Association shall at any time fail to fulfill any of its obligations under the provisions of this contract, including the failure to deliver the said potatoes and other farm products to the Exchange as hereinbefore provided, any claims arising from such failure to meet its obligations, shall be a charge against the Association's note, given by it to the Exchange in accordance with its by-laws, and

That if the Association fails or refuses to deliver to the Exchange for marketing and distributing the potatoes and

other farm products as required by this contract, it shall pay to the Exchange as liquidated damages, the sum of..... cents for each cwt. of potatoes and other farm products not so delivered. Said sum may be deducted from any money in the possession of the Exchange due the Association.

IN WITNESS WHEREOF, the said parties have executed this contract in duplicate.

THE MINNESOTA POTATO EXCHANGE,

By .....

President.

By .....

Secretary-Treasurer.

.....ASSOCIATION,

By .....

President.

By .....

Secretary.

APPENDIX E

Shipping Association Form

FARMERS' SHIPPING ASSOCIATION

CONSTITUTION

ARTICLE I.

This Association shall be known as the..... ..... Shipping Association.

ARTICLE II.

The principal place of business and place of meetings of the Association shall be ....; but the operations of the Association may extend over and include adjacent shipping points.

ARTICLE III.

Subject to the approval of the board of directors, any farmer may become and be a member of this Association by the payment of a membership fee of ....., and annual dues in the sum of ....., beginning the next January first after becoming a member. And in this connection a farmer is defined to be one engaged in farming, or one who, retired from farming, is not engaged or interested in any business that conflicts with the business of this Association.

ARTICLE IV.

The purposes of this Association are: (1) To ship out for its members and patrons live stock, grain, hay, wool and other farm products, and to obtain reasonable prices and the best possible results in the marketing of said products; and (2)

to obtain reasonable prices on, and ship in for its members and patrons, seeds, feeds, twine, salt, fertilizers, oils, lumber, building material, coal, fuel, farm implements, farm machinery and other farm supplies, including live stock.

ARTICLE V.

The business of this Association shall be under the control and management of.....directors, who shall be selected by ballot in annual meeting of the Association, or at a special meeting thereof called for the purpose. The directors shall be members of the Association, and they shall hold office for the term of one year and until their successors are elected and qualified, unless sooner removed by resignation, death or otherwise.

ARTICLE VI.

The officers of the Association shall be president, a vice president, and a secretary-treasurer. They shall be elected from the membership of the board of directors, and by said board, at the annual meeting of the board. Said officers shall hold office for a term of one year and until their successors are elected and qualified, unless sooner removed by resignation, death or otherwise. They shall be officers of said board as well as of the Association, and shall respectively perform the duties that usually pertain to said offices respectively.

ARTICLE VII.

Vacancies in the office of the Association and in the membership of the board of directors shall be filled by majority vote of the remaining directors at a regular meeting of the board, or at a special meeting called for the purpose; the terms of the incumbents thus elected to last only until the next annual meeting of the Association and the board, and until their successors are elected and qualified.

ARTICLE VIII.

The annual meeting of the Association shall be held on the .....of each year; and at such meeting the board of directors shall render a full and true account of all business done by the Association during the preceding year.

ARTICLE IX.

The annual meeting of the board of directors shall be held immediately following the annual meeting of the Association. Regular meetings of the board other than the annual meeting, also special meetings thereof, shall be held at such dates and times and on such calls as the board itself shall prescribe.

ARTICLE X.

Special meetings of the Association may be called at any time on majority vote of the directors, or on request signed by not less than one-fifth in number of the members of the Association. Notices of any such meetings shall be mailed to each member of the Association at least ten days before the date of the proposed meeting. In case the president shall fail or refuse to call any such meeting, or in case the secretary-treasurer shall fail to mail the required notices promptly, a majority of the board of directors, or one-fifth in number of the members of the Association, may over their own signatures call such meeting and give the said ten days' notice thereof to the said members.

ARTICLE XI.

One-fifth in number of the members of the Association shall constitute a quorum for the transaction of business at all meetings of the Association. But a less number may adjourn to a subsequent date; in which case notice of such postponement shall be mailed to all members not less than five days immediately prior to the date set for the adjourned meeting. A

majority of the directors shall constitute a quorum for the transaction of business at all meetings of the board; but a less number may adjourn a meeting to a subsequent date.

ARTICLE XII.

The board of directors shall appoint a manager who shall have charge of and manage the business of the Association, subject to the direction and control of said board. Such manager shall be required to furnish such bond for faithful performance of his duties as the board shall prescribe and approve, or, in its discretion, the board may procure a surety bond for such manager at the cost of the Association. Said board shall not, however, have power to make a binding contract with a manager for a period longer than or beyond their own terms of office. Said manager shall receive such compensation as the board of directors shall by by-law fix, and shall at all times be subject to removal or discharge for cause. And said board shall not have power to incur any financial obligations whatever that shall be binding on the Association, current and ordinary business expenses excepted.

ARTICLE XIII.

The officers of this Association shall at all times be subject to removal by the board of directors at any regular meeting of the board or at any special meeting thereof called for the purpose. And members of the board of directors shall at all times be subject to removal from that body by any special meeting of the association called for the purpose.

ARTICLE XIV.

For the purpose of maintaining this Association and defraying the expenses of operation, each shipper shall pay to the Association maintenance charges as follows on each shipment (whether outgoing or incoming) made by or for him through the Association:

On grain, hay, wool and other farm products, not including live stock, ...cents for each 100 pounds or major fraction thereof.

On feeds, seeds, twine, lumber, salt, coal, oils, implements, machinery and other farm supplies, ...cents for each 100 pounds or major fraction thereof.

On live stock other than horses and mules, ...cents for each 100 pounds or major fraction thereof.

On horses and mules, ...cents for each 100 pounds or major fraction thereof.

Shippers shall also pay such additional charges as may be provided for in the by-laws of this Association.

ARTICLE XV.

The manager shall keep a strict account of all receipts and disbursements by him for the Association, and shall at all times promptly turn over to the secretary-treasurer any balances in money there may be in his hands, taking proper receipts therefor. And at the annual meeting of the Association he shall submit in writing a detailed statement of all business transacted by him for the Association for the year ending on the date of said meeting.

ARTICLE XVI.

Non-members as well as members of this association may, with the approval of the board of directors, employ the shipping services and facilities of this Association on the same terms as members. But they will have no voice or vote in the affairs of the Association; and before enjoying the Association's facilities they shall be required to register their signatures with the manager in acknowledgment of notice of all laws, rules and regulations of the Association and of their agreement thereto.

ARTICLE XVII.

The board of directors may adopt such by-laws, rules and regulations not in conflict with this constitution as it shall deem necessary or proper to the carrying on of the business of this Association; and it may change, amend or repeal said by-laws, rules and regulations at pleasure.

ARTICLE XVIII.

These articles may be amended by a majority vote at any annual meeting of the Association, or by two-thirds vote at any special meeting called for the purpose.

ARTICLE XIX.

Until the next annual meeting of the Association, and until their successors are elected and qualified, the following named persons shall be the directors of the Association:

Names. Postoffices.

.....

.....

.....

.....

.....

And until the next annual meeting of the directors the following named persons shall be the officers of the Association, each for the office set forth opposite his name:

....., President.

....., Vice-President.

....., Secretary-Treasurer.

BY-LAWS.

ARTICLE I.—Shipping and Marketing Live Stock.

Section 1.—Persons desiring to ship live stock with the Association shall report to the manager the kind of stock, the number of each kind and the approximate weight of each when

ready to be marketed. When a sufficient amount has been reported to be ready for shipment to make a full carload the manager shall order a car for making the shipment and shall notify each person having stock listed, and state at what time the stock is to be delivered for loading.

Section 2.—The manager shall be at the yard on the day a shipment is to be made (unless he shall have secured a substitute, for whose acts he shall be responsible), and shall receive all stock and weigh, mark and load the same. He shall have charge of and direct the sale of all shipments as instructed by the board of directors, and receive all remittances therefor and pay the same to the shippers, less all expenses incurred in making the shipment, including any outlay for materials needed in making partitions to separate the stock in the car, and for bedding, and including the maintenance charge mentioned in Article XIV of the Constitution, and also including the sinking-fund charge specified in Section 3 of these by-laws. He shall furnish a statement to every shipper, showing net weight, price received, expenses of shipment and terminal selling-commission and expenses. He shall keep on file all statements received from the terminal selling agency or commission firm that sells the live stock for this Association. And in a book provided for that purpose he shall keep a record showing the number of cars shipped and the amount of stock in each car.

Section 3.—There shall be deducted for every hundred pounds (or major fraction thereof) in weight of live stock the sum of .....cents, and the same shall be placed in a sinking fund to be used for the payment of losses that may occur to any stock from the time it comes into the hands of the manager until final disposition of the same is made.

Section 4.—Any shipper whose stock has been damaged or injured while in the hands of the manager shall receive the full

amount for the same as though the stock had not been injured, but shall be subject to the same ratio of expense on the shipment. The payment of the damage shall be based on a statement made by the selling agency or commission firm to whom the shipment is made, which statement shall show the amount received for the injured animal, and the amount that, in their opinion, it would have brought had it not been injured. This statement shall be the final basis for the settlement. No damage shall be paid for an animal which was not in a healthy condition when received at the local yards by the manager.

Section 5.—All stock which must be sold subject to inspection, except such as has been injured while in a healthy condition and in charge of the manager, or any diseased animal, shall be received at the owner's risk, and he shall receive such payment therefor as is received by the selling agency or commission firm, less all expenses figured pro rata on the shipment.

Section 6.—Should any shipper agree to ship his live stock and lists the same with the Association and thereafter fails to deliver his stock for shipment, and should such failure cause a loss to the Association on account of car not being loaded to the minimum weight, then and in that event such shipper shall be liable to the Association for the amount of said loss.

ARTICLE II—Salary of Manager.

The manager of this Association shall be paid a monthly salary not exceeding ..... dollars. In case the net profits made by the Association for any month shall not be sufficient to pay said amount as salary for that month the said manager's salary for that month shall be no more than the amount of said net profits for said month; and in arriving at and determining the manager's salary or compensation for any given month the said salary itself shall not be counted or computed as expense or disbursement.

APPENDIX F

Corporation Form Under Cooperative Law

ARTICLES OF INCORPORATION

We whose names and residences are set forth herein, and whose names are hereto subscribed, hereby associate ourselves into a body corporate under the provisions of Chapter 1, Title IX, of the Code of Iowa, and acts amendatory thereof, particularly sections 1641-r1 to 1641-r20 inclusive; assuming all the powers, rights and privileges granted bodies corporate, and all the duties and obligations imposed by said statutes, and being bound thereby, adopting the following Articles of Incorporation, to-wit:

ARTICLE I.

The name of this corporation shall be.....

.....

ARTICLE II.

Its principal place of business shall be....., in the County of ..... and State of Iowa, with the right to maintain subordinate branches thereof anywhere within the State of Iowa.

ARTICLE III.

The object and purposes of the corporation are as follows: To buy, sell, sort, grade, ship, market and otherwise handle live stock, poultry, grain, hay, wool and other farm products; to store, mill, grind, distribute, ship, sell and otherwise handle grain and other farm products; to buy, sell, pack, can, manufacture, prepare, store, distribute, ship, market and otherwise

handle meats, poultry and poultry products, milk and milk products, grain and grain products, fruits, vegetables and other farm and garden products; to buy, ship in, house, sell, distribute and otherwise handle lumber, building material, coal, fuel, feeds, tankage, seeds, fertilizers, farm implements, farm machinery and all other articles and supplies used or needed by farmers engaged in farming, including lots or stocks of goods, wares and merchandise; and to mine and market coal and other minerals and mineral products.

In carrying out its purposes the corporation shall have the right to acquire, erect, build, install, maintain and operate stock yards, market places, elevators, warehouses, grain and feed mills, abattoirs, packing plants, cold storage plants, ice plants, produce houses, creameries, canning factories, light and power plants, manufacturing and machinery plants, store buildings and structures for merchandise and farm supplies of all kinds, and all other facilities, conveniences, buildings, structures and equipments necessary or proper to the carrying out of the purposes of this corporation.

This corporation shall have the right to acquire title by deed or lease to such real estate as may be necessary or proper in the carrying out of its purposes and in conducting its enterprises. It shall have the right to hold, improve, mortgage, lease, sell, and convey such real estate. And it shall also have the right to take, accept, buy, sell, make, issue and execute contracts, notes, duebills, mortgages, leases and other obligations and evidences of indebtedness necessary or proper to the carrying out of its purposes and the conduct of its business.

ARTICLE IV.

The amount of authorized capital stock of this corporation is .....dollars, divided into..... shares of.....dollars each.

The corporation may commence business when not less than .....dollars in stock has been issued.

No stock shall be issued until the corporation has received payment in full thereof at par, in cash or property; provided that when stock is to be issued for anything other than money the issuance must first be approved by the executive council of Iowa in accordance with the provisions amendatory of Section 1641-b of the Code of Iowa.

Shares of stock are transferable on the books of the corporation; but no one person or concern shall at any time be permitted to subscribe for, purchase or own to exceed..... dollars in par value of the capital stock; and no stockholder shall be permitted to sell or transfer his stock to another person or concern without first giving this corporation opportunity to purchase the stock at its par value.

The stock of this corporation shall be non-assessable.

ARTICLE V.

The corporate period of this corporation shall begin on the date the secretary of state issues a certificate of incorporation, and shall terminate at the expiration of twenty (20) years from said date, unless sooner dissolved by a..... vote of the stockholders at an annual meeting, or at a special meeting called for the purpose, or by unanimous consent as provided by law. All rights of renewal under the law, however, are hereby reserved.

ARTICLE VI.

Annual meetings of the stockholders shall be held on..... ..... of each year, at the principal place of business of the corporation. Each stockholder shall be notified of the time and place of each annual meeting by written or printed notice properly addressed and deposited in the post-

office by the secretary at least ..... days immediately prior to the date of the meeting.

Each stockholder shall be entitled to cast one vote on all questions presented at a stockholders' meeting, including the election of directors; and the voting power of a stockholder shall be limited to one vote, irrespective of the number of shares owned by such stockholder.

Special meetings of the stockholders shall be called by the president upon written request signed by a majority of the directors or by not less than one-fifth in number of the stockholders. The secretary shall give written or printed notice of any such meeting, specifying the time and place of meeting and the purpose thereof, and said notice shall be properly addressed to each stockholder and deposited in the postoffice at least ..... days immediately prior to the date of the meeting. In case the president or secretary shall fail or refuse to act promptly in response to said request the said majority of directors or the said one-fifth in number of stockholders, as the case may be, may, over their own signatures, give notice of the meeting substantially as above.

One-fifth in number of the stockholders, present in person, shall constitute a quorum for the transaction of business; but a less number may adjourn to fixed date, notice of which action shall be given to all stockholders, the notice being addressed and mailed to each stockholder at least ..... days prior to the date fixed for the adjourned meeting.

ARTICLE VII.

The affairs of this corporation shall be managed and controlled by a board of ..... directors, who shall be elected each year at the annual meeting of the stockholders. These directors shall be elected by ballot, and it shall require a majority vote of all stockholders present and voting to elect.

They shall hold office for one year and until their successors are elected and qualified, unless sooner removed by death, resignation or otherwise. No one not a stockholder is eligible to election as a director, and any director ceasing to be a stockholder thereby forfeits his office as director. If vacancies occur in the board of directors from any cause the same may be filled by a majority vote of the remaining directors, and the persons thus elected to fill vacancies shall hold office until the next annual meeting and until their successors are elected and qualified.

Annual meetings of the board of directors shall be held immediately following the annual meeting of the stockholders each year, and at the same place; and other regular meetings of said board shall be held on the.....

Special meetings of said board may be held at any time on the call of the president or on call signed by.....or more of the directors, the notice of the proposed meeting being mailed or given to each director in ample time before the meeting.

A majority of the directors shall constitute a quorum for the transaction of business, but a less number may adjourn a meeting to another date, in which case due notice of such action shall be mailed or given to the directors not present at the meeting where such action was taken.

The office of any director failing to attend two consecutive regular meetings shall be declared vacant, unless such absence is excused by the board.

ARTICLE VIII.

The officers of this corporation shall be a president, a vice-president, a secretary, and a treasurer, all of whom must be directors, and all of whom shall be elected annually by the board of directors immediately after the annual meeting of

the stockholders. The election of said officers shall be by ballot, and it shall require a majority vote of the directors to elect. Said officers shall hold their offices for one year and until their successors are elected and qualified, unless sooner removed by death, resignation or otherwise. If vacancies occur in any of said offices from any cause the same may be filled by a majority vote of the directors expressed by ballot as above specified. The offices of secretary and treasurer may be held by the same person, at the discretion of the board of directors, under the official title of secretary-treasurer.

The president shall preside at all meetings of the stockholders and of the board of directors; and shall sign all certificates of stock and warrants on the treasury. He shall also sign all contracts, bonds, notes, mortgages, deeds, leases and other instruments in behalf of the corporation. At least one month prior to the annual meeting of the stockholders he shall appoint a special committee of three stockholders to examine the books and accounts of the secretary, of the treasurer, and of any manager or agent of the corporation, and with the consent of the directors he may employ an accountant to examine and audit any or all of said books and accounts. And he shall submit a full and complete report of the conditions and affairs of the corporation to the stockholders at each annual meeting. And the president shall perform all other duties usually required of such an officer.

In the absence of the president, or by reason of his inability to act, the vice-president shall preside at all of said meetings and shall perform all other duties pertaining to the office of president.

In the absence of both the president and vice-president at any of the said meetings a temporary presiding officer may be selected by the board of directors or by the meeting from the body of its membership.